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CONTENTS FOR AUGUST

LEAGUE'S BUSINESS .....	354
EDITORIAL COMMENT .....	<i>Howard P. Jones</i> 355
HEADLINES .....	<i>H. P. J.</i> 357
MR. TAXPAYER VERSUS MR. TAXSPENDER <i>Luther Gulick and Daniel W. Hoan</i>	358
PROTECTING THE TAXPAYER'S DOLLAR <i>William A. Comstock and H. L. Caverly</i>	366
REDUCING THE SCHOOL BUDGET <i>George S. Counts, John K. Norton, Robert E. Simon</i>	374
HOW TO REDUCE THE LIBRARY BUDGET <i>Carl H. Milam, Ora L. Wildermuth, H. L. Woolhiser</i>	381
EFFECT OF HOME OWNERS' LOAN ACT UPON TAX DELINQUENCY .....	<i>Eugene Greider</i> 389

DEPARTMENTS

I. Proportional Representation .....	<i>Edited by George H. Hallett, Jr.</i> 390
II. Recent Books Reviewed .....	<i>Edited by Edna Trull</i> 394
III. Governmental Research Association Notes .....	<i>Edited by Robert M. Paige</i> 397
IV. Notes and Events .....	<i>Edited by H. M. Olmsted</i> 401

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# THE LEAGUE'S BUSINESS

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**"Pay Your Taxes" Campaign Launched.**—Funds have now been made available for the Committee on Constructive Economy of the National Municipal League to carry on a "Pay Your Taxes" campaign, the general program of which was approved by the meeting of the Council in Chicago in May providing funds could be obtained.

**"Citizens' Councils in Action."**—This is the title of a new pamphlet now in press being issued by the League's Committee on Citizens' Councils for Constructive Economy. Copies of the pamphlet which tells of the accomplishments of councils already formed and contains suggestions for approaching the practical budgetary problems of constructive economy, may be obtained free of charge by members of the League upon application to the secretariat.

**Enthusiastic Interest in Radio Program Continues.**—The radio program being sponsored by the Committee on Citizens' Councils for Constructive Economy continues to hold the interest of the more serious "listeners in" and the volume of requests for further information proves the effectiveness of this series, which goes on the air every Tuesday evening from 7:15 to 7:45 eastern daylight saving time over the WJZ network of the National Broadcasting System. The programs for the next five weeks are as follows:

August 8—"Reducing the Welfare Budget." *Richard Boeckel*, Director, Editorial Research Reports; *Dr. Lewis Meriam*, Brookings Institution; *Frank Bane*, Director, American Public Welfare Association.

August 15—"Reducing the Recreation Budget." *John H. Finley*, Associate Editor, *New York Times*; *Col. H. Edmund Bullis*, Executive Officer, National Committee on Mental Hygiene; *Roy Smith Wallace*, National Recreation Association.

August 22—"Reducing the Cost of Justice." *Prof. Leon Carroll Marshall*, Institute of Law, Johns Hopkins University; *Frank J. Loesch*, Former President, Chicago Crime Commission.

August 29—"Are There Too Many Governments?" *U. S. Senator Harry F. Byrd*, Virginia; *Henry Morgenthau, Jr.*, Governor, Farm Credit Administration.

September 5—"Reducing the Public Health Budget." *George Folger Canfield*, Attorney, President, State Charities Aid Association; *Dr. Matthias Nicoll, Jr.*, Commissioner of Health, Westchester County, N. Y.; *Dr. Kendall Emerson*, Acting Executive Secretary, American Public Health Association.

**Baldwin Prize Award.**—George Budway, University of Illinois, was chosen by the committee on award as the winner of the Baldwin Prize for 1933. This award of \$100 has been made annually for many years for the best essay on municipal government by a college student. The subject of Mr. Budway's exceptionally well written paper is: "State Regulation of Municipally Owned and Operated Public Utilities."

Honorable mention for his essay on "The Law and Practice of Proportional Representation" was received by Edward Alfred Crane, of Harvard College; and third place in the contest was accorded Milo Fleming, of the University of Illinois, who also wrote on the subject of proportional representation. Mr. Fleming deserves special recognition in view of the fact that he held third place in last year's contest for an essay on an entirely different subject.

The committee on award consisted of Robert M. Goodrich, Providence Governmental Research Bureau; Professor W. E. Mosher, Syracuse University; and Dr. William B. Munro, Pasadena, California.

HOWARD P. JONES, *Secretary*



## A Federal Commission on Local Government

CONGRESS and the President of the United States were called upon by the Municipal Finance Conference (which brought an imposing array of public officials, bankers, and municipal finance experts to the University of Chicago campus the latter part of July) to provide for a federal commission which would be empowered to study the revenue systems of the various branches and units of government in this country and make recommendations.

There is little that could be done by the federal government in its relations with municipal government that would be more constructive than such action. It is a strange paradox of our present system of government that with more than half the population of the country living in cities, the federal government has taken almost no cognizance of the existence of such political entities. Municipal government is one of the crossroads at which constitutional theory and political reality part company. THE NATIONAL MUNICIPAL REVIEW heartily endorses the action of the Municipal Finance Conference. Indeed, it was in December, 1932, that the REVIEW editorially urged: "We should like to see as one of the first steps in Roosevelt's regime, which will manifestly be faced with the problem of developing closer relationships between

The resolution of the Municipal Finance Conference calling upon Congress and the President to appoint a federal commission reads as follows:

"We hereby recommend that the President of the United States and the Congress create a federal commission to be composed of representatives of the federal government, of the states, and of the local units with appropriate technical advisers and staff, for the following purposes:

"(1) to examine the whole existing structure of taxes and revenues, national, state, and local; the extent of unnecessary overlapping taxation; the appropriateness of the present division of functions of government; and

"(2) to suggest such rearrangements and reasonable interrelation of the functions and taxes as the present-day facts may demand."

the federal government and local governments on the firing line throughout the country, the appointment of a permanent commission on local government. Such a commission could serve as a fact-finding and coordinating agency and in the proper hands could make a real contribution to the development of an enlightened internal governmental policy."

In no major country in the world have the cities as little recognition in the political and governmental scheme

as in the United States. Yet no nation is as dependent socially, politically, and economically upon the smooth functioning of urban machinery as is the United States. Any step which tends toward the development of closer relationships between the national government and

the local units of government, of which it is estimated there are some 175,000, will be a step in the right direction from the standpoint of the efficient functioning of the machinery of democracy.

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## Federal Public Works Program Under Way

As this issue of the REVIEW goes to press, word comes from Washington that a large number of municipal projects already have received tentative approval under the \$3,300,000,000 public works expenditure program of the National Recovery Administration. Since there probably will be a scramble for these appropriations which permit the Federal Administrator of Public Works to grant up to 30 per cent of the cost of materials and labor construction projects and loan the municipality the

remaining 70 per cent, citizens' councils and other civic groups interested in fostering the construction of schools, libraries, sewage disposal plants, water filtration systems, or other needed improvements which would be a permanent and valuable addition to the community should get into action promptly. Plans should be drawn and submitted to the state administrator whose appointment should have been announced by the time this issue has been published.

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### Taxes Less Than 20 Per Cent of National Income

TO THE EDITOR OF THE NATIONAL MUNICIPAL REVIEW:

During the past year numerous extravagant estimates have been circulated concerning the relative proportion of taxes and the national income.

Preliminary estimates for 1932 furnished by the National Industrial Conference Board indicate that the total amount of taxes collected by federal, state, and local governments in 1932 would not be more than 20 per cent of the national income for that year, which is tentatively esti-

mated at \$40,000,000,000. Taxes for 1931 are estimated at \$9,300,000,000 or 17.6 per cent of the estimated national income of \$52,700,000,000, in that year. The last year for which final statistics are available is 1930. The national income for that year, according to the National Industrial Conference Board's computations, was \$70,700,000,000; and the combined total of federal, state, and local taxes, \$10,266,000,000, or 14.5 per cent of the income.

HAROLD S. BUTTENHEIM  
*Editor, American City*





## HEADLINES

Monthly payment of taxes is being considered in Cuyahoga County, Ohio, as one effective means of reducing the amount of delinquency. Divide your tax bill by twelve and it won't seem anywhere near so large.

\* \* \*

City-county consolidation under the manager plan is being urged upon the Democratic party of Philadelphia as a platform that might bring victory by C. Burgess Taylor. No matter who advocates or opposes the plan, it is obviously the answer to the Quaker City's many questions these days.

\* \* \*

Severe penalties for delinquent taxpayers are the order of the day. In Mt. Vernon, New York, taxes on delinquent properties in which city employees live are threatened to be subtracted from their salaries. While there may be excuse for the small home owner, there is no excuse for taxes being delinquent on income-producing properties. Of course, in Massachusetts they'll put you in jail if you don't pay your taxes!

\* \* \*

Opening of Chicago schools will be postponed for two weeks this fall to save two million dollars in salaries and other expenses. The sacrifice of two weeks' schooling may not be so serious in itself, but it's a dangerous precedent. If two weeks will save two million, then four weeks will save four million. And where do we stop?

\* \* \*

An apt defense of the wide powers given President Roosevelt by Bruce Bliven, editor of *The New Republic*, likens the President to a city manager. "Uncle Sam, so he believes, has hired a competent manager, and . . . proposes to let him run the country," Mr. Bliven declared.

\* \* \*

Constructive economy won in Cleveland when the school board changed its mind about closing fifty-two playgrounds to save money. There is little doubt that it would have cost the community more if the children who were using those playgrounds were turned into the streets.

\* \* \*

Consolidation of Duval County with the city of Jacksonville, Florida, is authorized in a constitutional amendment approved by the state legislature to be voted upon by the electorate of the entire state in 1934.

\* \* \*

With some astonishment, observers of the effective operation of the manager plan in Teaneck, New Jersey, have read the news of a proposed recall election. Only a year ago word came from Teaneck of a 10 per cent reduction in the tax rate with no curtailment of services. Political toes must have been trod upon heavily in the process.

# Mr. Taxpayer versus Mr. Taxspender<sup>1</sup>

A one-act radio play  
with no change of  
scenery and the pub-  
lic official in the title  
rôle

Cast of characters:

MR. TAXPAYER..... *Luther Gulick, director, Institute of Public  
Administration, and Eaton professor of muni-  
cipal government, Columbia University*

MR. TAXSPENDER..... *Daniel W. Hoan, Mayor of Milwaukee, Wis-  
consin, since 1916*

DR. GULICK: How are you Mayor Hoan. I have known about you for years and heard about the good government of Milwaukee. I'd like to talk with you if I may about this problem of high taxes and tax reduction. I am sure you can be a real help on this. How long is it you have been mayor of Milwaukee?

MAYOR HOAN: Seventeen years.

DR. GULICK: That isn't an hereditary life position is it?

MAYOR HOAN: Oh, no! The people sent me back.

DR. GULICK: They must like your ideas. And that's why I want you to help me see through this tax reduction business. It's quite confusing.

You see this piece of buff paper with all this printing on it. That's the bad news I just got the other day. Look there at the top in red ink TAX BILL

FOR 1933. It's not a Milwaukee tax bill. It comes from the east. And look what it says after the dollar sign. In fact, it's got dollar signs all over the place. And see this. Here are one, two, three, etc., to seven separate tax rates. I never heard of half of the governments that make these levies. I'd like to see those bozos. And the whole thing adds up to \$3.190.

MAYOR HOAN: That's the tax rate. Your assessed value, over here on the bill, is multiplied by the tax rate to get the tax.

DR. GULICK: Oh, that's the way it works is it? But then they add on a poll tax. Well, that's only one dollar. Anyway, I met a fellow the other day, quite a smart chap, who said the thing is all wrong. He said you people over in city hall went right on spending money like drunken sailors, just as if there wasn't any depression. He gave me a great long list of figures about the reduction of the cost of everything. Government figures, mind you. He also talked about the banks and the railroads, and what the government ought to do to straighten things out. But most of all he was talking about taxes. He ended up, "They don't get any more out of me. I'm going to stop paying taxes." That didn't seem quite right

<sup>1</sup>This and the following articles in this issue are part of the radio series on constructive economy in government being sponsored by the Committee on Citizens' Councils for Constructive Economy of the National Municipal League. The program for the next five weeks is published on page 354. The broadcasts are the fifth series in the "You and Your Government" programs presented by the Committee on Civic Education by Radio of the National Advisory Council on Radio in Education and the American Political Science Association.



to me, so I wanted to talk things over with you.

MAYOR HOAN: There is more of misinformation and of paradoxicalness bewildering the average mind on the subject of governmental costs and taxation than on any other subject with which I harbor an acquaintance.

There is, for example, a universal demand, past and present, for greater and greater governmental functioning and activity. There is, on the other hand, a widespread insistence that government shall reduce its expenses. The average citizen will furnish a list of activities a yard long of what he believes the government should undertake and the same person will bewail the fact that government should raise and spend the money necessary to meet his demands.

The average person is willing that the government spend oodles of money to assist his particular business or profession but is anxious to devise a tax-rate measure that will make the other fellow pay the cost of the piper.

There are hundreds of thousands of people in our country who would hang or deport the Communists because their purpose is to undermine faith in our government, but these same persons do not hesitate to propagandize and even to spend money to educate the public on the utter prodigality of government. Persons most prominent in business and civic life will caution us to speak most eloquently and patriotically on Memorial Day and on the Fourth of July but feel perfectly free to undermine faith in our government by decrying taxation and damning it all the rest of the year. Every citizen likes public service so long as he does not think of the tax bill. He likes one and dislikes the other. Why all this illogical reasoning? Why this public outcry against public expenditures?

In most part it is explainable because our pocketbooks are at war with our

patriotism. This is decidedly true of those who possess most of our worldly goods. The fact is that government, much as we dislike to pay our tax bills, has stood like the Rock of Gibraltar during this frightful depression to save us the agonies of complete chaos. While banks failed, factories closed, shops went bankrupt, pyramided utilities collapsed, the government was expected to function with more vigor and energy than ever. All who were in distress flocked to their governments with their hands out. Few, indeed, were those who did not seek some kind of governmental assistance or subsidy. Even the geniuses of banking, insurance and railroad giants are not to be excluded—nor the farmer, or the man out of work.

DR. GULICK: Yes, that's right. They all went bankrupt didn't they?

MAYOR HOAN: The fact is that private business virtually collapsed. They cut their pay-rolls to the tune of eleven billions of dollars a year—a sum greater than all the costs of the combined governments of the United States. Millions of people were thrown out of work and onto the poor relief and yet the very men who profited most by governmental subsidies at the top were most active and instrumental in organizing the "cut cost of government" leagues in this country. It was the bigger interests in all communities that led the assault on municipal service.

Is it not high time to call the attention of the citizens of this country to the fact that they are playing with dynamite when they so recklessly undermine and destroy faith in this Republic and all its agencies?

Our government is no more secure than the faith of the people in it. We have learned that in Europe governments change overnight. In all ages people have cared more about the food they eat and the clothes they wear than about their type of government. Is it not a precarious business to destroy



faith in our Republic at a time when there is so much of dissatisfaction and discontent? Dictatorships replace representative governments in Europe. Are we not paving the way for such an event here by destroying confidence in our own Republic? It appears that when one begins to fail in his business he looks about him for a goat upon which to heap all his woes. Thus it has become the outdoor sport in this country to damn the government and its wanton extravagance. By the way, Dr. Gulick, what do you pay in a year for your local public utility services?

DR. GULICK: You mean for gas, electricity, street car rides, and telephones?

MAYOR HOAN: Yes. What do these cost you for a year?

DR. GULICK: Well, now, let me see. Let me have your pencil a minute. Gas, electricity, car rides, telephone. That adds up . . . and you multiply by twelve.

MAYOR HOAN: Don't tell me the answer. Have you got it?

DR. GULICK: Yes.

MAYOR HOAN: Is the total bigger or smaller than your local tax bill?

DR. GULICK: Why it's bigger, quite a lot bigger. My property taxes aren't so much as the utility bills, are they?

MAYOR HOAN: Now tell me. Which do you get more service from those utilities or your local government?

DR. GULICK: The answer to that is simple, the government, of course.

MAYOR HOAN: And what's true for you is true for whole cities. In Milwaukee, for example, our privately owned public utilities, for the four services; namely, gas, electricity, transportation, and telephone, collect thirty-two millions of dollars a year while all local governmental expense is but thirty-one millions of dollars.

The real estate subdividers have been the loudest in their protest against taxes but these have said nothing about the

high interest rates on home mortgages. They shed tears for the small homeowner and his tax bill but do not publicize the fact that a 1 per cent drop in the interest rate on mortgages in Milwaukee would save our people five millions of dollars.

DR. GULICK: Mr. Mayor, I hear a lot about duplication in government departments. Can't we save something there by using the efficient principles of private business?

MAYOR HOAN: Much is said about duplication in governmental agencies; that it is constructive economy to do away with such duplication. I fully agree with this. There is much duplication and it can be eliminated, but only gradually. But how about duplication in private business? Is it not a fact that six or eight milkmen pass our doors before we arise in the morning? That one-half dozen bakery wagons pass later in the day? Do not the shopkeepers protest that there are too many stores; the railroad owners that there is too much duplication and competition in their services? Don't even the bankers complain that much of their trouble is due to the duplication of services by a multiplicity of small banks? I venture the opinion that there is much more duplication in private business than in government.

DR. GULICK: You are right at that. I guess that's why President Roosevelt is going to put the government into partnership with private business so that we can get rid of some of that. But Mayor Hoan, what about graft?

MAYOR HOAN: Oh, yes, the cry of graft is raised against government. It is true that some of our large cities are permeated with graft and corruption and that gang warfare persists in spite of government. What about the graft in private business? Is there not more graft and corruption in the Insull debacle than in a thousand small cities? Is it not unquestioned that the



racketeering in private business far exceeds that in public affairs even in the most corrupt of cities?

DR. GULICK: You hit the nail on the head then. I have watched municipal graft for years. And I have thought about it too. It isn't any worse than private business though the effect is worse because the government not only has the power to control our freedom but also furnishes community services that we can't get along without. It all goes back to what you said about government being more important to us than the utilities or anything in private business. Since that is true, graft in government is also more important to us than graft in the banks, or the utilities, or elsewhere. And we demand higher standards in government, too. Don't forget that.

But there is one thing I have noticed about graft. It seems to flourish where you mix politics and administration up together. If that's true then the first step is to separate politics and administration, isn't it? You can do that if you set up a system of government in which there is a definite place for politics and a definite place for administration, and have it definitely understood that politics has no business in the administration and administration has no business in politics. And then in administration you need to separate kinds of work that just don't go together without temptation. In a restaurant the waiter punches the check, but the cashier collects the money. That cuts out a lot of temptation. We need the same thing all the way through in arranging the work of government. It would eliminate a lot of minor graft. But of course, what you say is true. We can't make government much better than the moral standards of business in the community. We certainly have a lot of hypocrites throwing rocks at government.

MAYOR HOAN: Don't overlook the

fact that graft is nothing more than private business buying privileges from government. I have definite proof that graft in several large cities was instituted by private utility owners corrupting government. If you would eliminate the private grafters, there would be no graft in government.

DR. GULICK: You know, Mr. Mayor, I'm still thinking about this fellow I talked with the other day. He said that we have too high priced government. He said it was about time to cut the price and live within our income. What we need, he said is "constructive economy," with lots of "economy."

MAYOR HOAN: What does your friend mean by constructive economy in government? Do we really want the cheapest kind of government? When we are sick we do not look for the cheapest doctor. When we are hungry we do not look for the cheapest restaurant. When we buy clothes we do not purchase the cheapest suit. We really want the average or the best of these services and commodities.

What about government? Do we really want to send our children to the cheapest school that employs the cheapest school teachers?

DR. GULICK: I should say not.

MAYOR HOAN: Do we want the number of firemen and policemen cut to the danger point and do we want to pay them such low salaries that we may expect none but grafters and ignoramuses to man these departments?

DR. GULICK: I don't think so.

MAYOR HOAN: Do we want our public health services operated so cheaply that contagion and epidemics rage throughout our communities or that there is neglect in inspecting our food products resulting in poisoning us and our families?

DR. GULICK: No, no.

MAYOR HOAN: If the cheapest kind of government is what we really want,



then we might expect important industries to migrate to small villages where there is little or no public service.

One fact remains unchallenged—if despite all the marvelous developments in invention and industry in all lines of productivity in the past few years which have multiplied production tenfold and made all commodities and service available in abundance, if despite all this society may not be permitted to share and enjoy the fruits of this progress by being enabled to work less hours and to enjoy more leisure, better service and a better life—then we have woefully failed to take advantage of our progress.

DR. GULICK: That's all very true, but we are spending about 20 to 25 per cent of all our national income in taxes. My tax-striking friend says that's too much money to throw away for taxes in times like these.

MAYOR HOAN: Yes, I know. Some think that government is a sort of "sink-hole;" that all money paid in taxes somehow disappears. It is not recognized that practically all of the money paid in taxes goes immediately into pay-rolls and for materials, and is quickly placed into circulation—nor is it recognized by others that many of the employees of government are supporting on their salaries from one to four families and that to cut such persons out of their employment will increase the poor relief expenditures out of all proportion to the budgetary cuts.

I have on my desk a letter from the mayor of Chelsea, Massachusetts, a large suburb of Boston, in which he claims they have cut their budget drastically in every direction to comply with all demands—reduced salaries and services right and left; that poor relief expenditures have increased so rapidly that the tax rate is now \$43 a thousand. Obviously, this was not constructive economy, to ruthlessly cut this local budget without thought of the conse-

quences of increased expenditures in poor relief.

DR. GULICK: But Mayor, you don't believe in wasting city money merely to keep people at work and off the poor relief, do you?

MAYOR HOAN: I should say not. Waste must go. Unnecessary and useless functions must be routed out. But necessary work must be kept going, and at a high pitch of efficiency, without crippling the service with inordinate reductions undertaken merely because of hysteria over taxes by those who won't take time to look at the need for the services.

Now let me ask you a question, Dr. Gulick. What do the economists think we need in America to get out of this depression?

DR. GULICK: That's a big question, Mr. Mayor. If you laid all the economists end to end they wouldn't reach . . . a conclusion. But they seem to be pretty well set on a few points. The first is that we must make work for which people get wages so that they can live and spend money.

MAYOR HOAN: Stop right there. That's what government does. The best way to alleviate this depression is to make work, provide wages and increased purchasing power. When a government levies an extra dollar of taxes on each thousand of valuation to make work, it may cause the homeowner who is assessed \$5,000 to pay (if he has the money), \$5 more in taxes, but to the men who possess huge estates or office buildings assessed at several millions of dollars it will mean an increase running into many thousands of dollars. If the tax is reduced a dollar a thousand, not a single home will be saved. People do not lose their homes because of the tax payments but because they are out of employment and cannot pay their interest and mortgage installments. Granting that the purpose for which the money is raised is



legitimate and the money is wisely spent if the dollar is collected, those who have the money must pay. The proceeds are put into circulation. People are given employment both through the government and by private parties supplying the commodities purchased. In due time the entire community is better off. Point to the city that has pinched its public expenditures, crippled every public service in past years and I will show you that that city is probably a very poor place in which to live or to do business. It was the enterprising cities that did things in this nation that grew by leaps and bounds.

DR. GULICK: Mayor, what would you think of cutting government costs by turning various services like garbage collection back to private hands?

MAYOR HOAN: The first thing to consider in mapping out a program of sane economy is to determine first, whether a service is essential to the welfare of the community. Granting this, it is necessary to determine whether this service can be more cheaply and more efficiently performed by public rather than by private servants. I once issued a challenge to debate with anyone in our city who knew something about municipal government the proposition that our city performs public services at from 20 per cent to 50 per cent cheaper than any private firm could perform the same. Needless to say, no one accepted this challenge.

The city can perform its services cheaper than a private business even though there may be more waste. It can do so because it does not have the overhead. For instance, in the collection of garbage, keeping track of the amount of service rendered to each citizen, the printing of thousands of bills, the collection of these bills, the payment of huge salaries to the president or general manager, the payment of a large dividend—all of these factors are eliminated in public service. The salary

paid to the president of our local street railway company, of \$81,000 per year, is more than the combined salaries of the Mayor and thirty-three heads of departments in the government of the city of Milwaukee.

The per capita cost of sending a child to the public school is usually about one-half the cost of the same service in a private school. The same comparison can be made in practically all governmental services. This is true even where a charge is made against such services for the amount of taxes which such services should bear.

If then, it is granted that these services are essential and that the community or government can perform them at less cost to the individual through private endeavor, where is the economy in eliminating such services and compelling the citizens to either go without these services or to pay for them at a much higher price?

DR. GULICK: I can't see there is any.

MAYOR HOAN: Not one dollar should be placed in the budget that is not essential to pay the actual cost of necessary services to promote the public welfare but it is not constructive economy to reduce the budget below this amount. It is true that every city as well as every private business may improve its methods, but efficiency in government receives little publicity while, on the other hand, the mistakes are paraded in headlines. An efficient head of a department who goes ahead with his work quietly and performs his work with great merit, is seldom, if ever, given any recognition in the press. If, however, some head of a department becomes involved in some scandal, that story reaches the proportion of headlines, the public is thus led to believe that all public affairs must be corrupt while private business is "holier than thou." When the truth is told it will be said that the public has not taken on any new function until pri-

vate initiative has failed to meet the needs of the community. The operation of government is as necessary as it is to have a home to live in unless we are to concede that we should slip back to the level of savages.

If then, it is true that to have progress we must have efficient public service, it behooves every good citizen to take part in civic and governmental affairs and improve that government and when the time comes to pay the bill, to do so with a sense of civic duty.

DR. GULICK: In that case, the fellow who can, but doesn't pay his taxes cheerfully and promptly is just a plain traitor to his city and town. He is getting all the advantages of community service but he is running out when it comes to paying his share. He is not only pushing the burden off onto others, that is on to his neighbors, but he is greatly increasing his own taxes in the long run. In the first place, he has to pay the legal penalties. These often run up to 10 per cent. But there are many costs in addition. The city has to borrow money to run on, it may have to default on bonds—which increases future interest rates on bonds, for say ten years, the chief executives have to devote most of their time to financial troubles instead of to good management, and finally, the teachers and other employees who fail to get their pay spend a lot of time on other things and lose interest in the work of the city. I think it would be safe to say that a tax strike costs twenty cents on the dollar of taxes, as over against the normal and legitimate methods open to the citizen of expressing his demands for tax reduction.

So far we have been talking about the services and current expenditures. What about all these big debt burdens?

MAYOR HOAN: There is one policy that governments could and should pursue with greater enthusiasm that is not generally understood. We have

been too much in the habit of borrowing money on bonds and interest-bearing securities in order to put off on other generations the problems of paying the bill. The result has been that from 25 per cent to 60 per cent of many municipal budgets are used to pay off past obligations and interest burdens. In some cities as much as 60 per cent of every tax dollar collected goes for this purpose. In our city we have gradually lessened our borrowing proclivity until but twenty-seven cents out of each dollar goes to retire past obligations and interest.

More than this, we are accumulating a fund, year by year, which is now drawing compound interest which, within a period of the next thirty years, will be large enough to wipe out all our public debt. When that time arrives we will be able to reduce the tax rate about eight dollars a thousand. The interest burden is the curse of governments and it should be the object of all good citizens and officials to find ways and means to pay their bills as far as this is possible. This surely is a step in the direction of constructive economy.

DR. GULICK: That sounds good to me. The future is always too uncertain to make debts a comfortable thing to have around. Debts have a way of getting heavier and heavier when times get hard. If all our governments would go over onto a pay-as-you-go basis, as you recommend, it would be a great help.

As I look around, one of the troubles has been that the cities went into partnership with the shoestring land speculators in their developments. The city often did all the expensive work of putting in streets, sewers, and sidewalks. The money was borrowed. But when the time came to collect special assessments, the values were not there. Pay-as-you-go would put a stop to that kind of speculating, wouldn't it?

MAYOR HOAN: Yes, indeed. And it



would save the credit of the city in good times so that it would be available in bad times, just when public works are needed to prevent unemployment.

DR. GULICK: Coming back to this tax bill of mine with the seven different governments. It strikes me that somebody had better get busy and shake them all up in a basket and simplify the thing. I don't need seven governments to look after me. I grant you I need a federal government to deal with international affairs, the currency, and interstate commerce. I guess the federal government will also have to look after all the major national economic questions, too, like banking, transportation, labor conditions, insurance companies, and all this wasteful and ruinous competition. Certainly the state governments are about through in these fields. Then I need some kind of a regional government that will look after the larger regional questions of planning, water supply, sewage, health, highways and standards, and general regulations. I guess that means a state. And then I need a local government to do the rest of the job. That makes three governments. In big cities two would probably be enough. But certainly seven are too many. And I hear that here in Chicago there are some folks that live under eleven separate governments. That's too many cooks for the broth.

MAYOR HOAN: You are certainly right about that. You know, I believe that much of the hysteria about reckless slashing of governmental budgets is simply the passing outgrowth of depression. Our citizens have thoughtlessly rallied to the cry that if taxes can be drastically cut somehow their troubles will be solved. The fact is that after such reckless cutting we find ourselves in a worse condition. Our public service is crippled and the army crowding our relief stations grows proportionately. The doling out of relief has not improved the morale of our people. What they need is work and wages. If this cannot be supplied by private initiative then the problem must be faced by government. If those who pay for rugged individualism cannot find ways and means by which people may be employed and earn a living wage and provide the consuming power necessary to keep industry in operation, then the people of this nation or any other nation thus involved will see to it that this structure is changed to the end that every man will be able to find employment to receive in wages the full product of his toil, that he is thereby able to enjoy the fullest blessings in life growing out of the marvelous development of the past few decades. When this great end is achieved, people will not only be able to pay tax—they will be glad to pay.



# Protecting the Taxpayer's Dollar

Interviewed in radio broadcast, Governor of Michigan tells how his state has carried on during a critical year

WILLIAM A. COMSTOCK

INTERVIEWED BY:  
H. L. CAVERLY

Governor of Michigan

University of Michigan

DR. CAVERLY: Governor Comstock, judging from the reluctance with which taxpayers have been giving up their dollars to government these last few years, I suspect that they do not have a great deal of confidence that their dollars are going to be "protected." If there is any protection, any safeguard of the rights of taxpayers and of the contributions they make to the public treasury, I believe they would like to know what it is. As governor of a large industrial state, just what do you have to do with *protecting* the taxpayer's dollar? Would not *collecting* the taxpayer's dollar be a better description of your job?

GOVERNOR COMSTOCK: Well, Dr. Caverly, collecting the dollars of taxpayers is certainly a part of my job—and not the smallest or the easiest part of it, either. But after all, protecting the taxpayer's money, assuring him that it will buy a full dollar's worth of government for him, is the only sound justification for collecting it in the first place.

DR. CAVERLY: Then you really consider that the essential protection, Governor, is giving the taxpayer his money's worth—that is, providing him with the maximum quantity and quality of governmental services that his contribution can be made to buy.

GOVERNOR COMSTOCK: I think Cav-

erly, that that is perhaps the most important element in the real protection of his interests. To collect nothing from the taxpayer would certainly *not* be to his interest. As you know, we are living in a pretty complicated society—a society which has to call upon government for protection and control and assistance at a thousand different points. Government nowadays has to supply the integrating element that binds together and adjusts all the diverse interests that combine to make up modern life. A present-day state government must not only perform its traditional function of safeguarding the lives and property of its citizens; it must provide their education, it must regulate their railroads and banks and insurance companies, it must control their movements on the highways, it must provide their recreational facilities, and, in times like these, not the least of its obligations is to make certain that every man shall have food and shelter despite the menace of unemployment. It costs money to be governed! But if government means the provision of these and a hundred other essential services, the taxpayer, in my opinion, probably never pays out a dollar that brings him a larger return than the dollar he is asked to pay in taxes.

DR. CAVERLY: I would admit all that, Governor, and I think the average tax-



payer would too. He isn't questioning so much, even today, the total value of governmental services; but he is wondering whether those services are being provided as cheaply as possible. He is wondering whether the money he pays really goes—all of it—for supporting them. Now, to get down to cases—how many of these taxpayers' dollars are you planning to take under your wing to protect in Michigan this next year?

GOVERNOR COMSTOCK: Do you mean the amount of taxes the state expects to collect, or the amount of tax revenues which will be available for the state to spend for general state purposes? In Michigan, as in a good many commonwealths, the two are by no means the same thing, though they are often confused.

DR. CAVERLY: I had in mind taxes for general state purposes, Governor—that is, the amount of taxes which will measure for this year the load placed on the taxpayer for conducting the general government of the state. But perhaps you will explain the difference between that and the amount of tax collected?

GOVERNOR COMSTOCK: Well, Caverly, the state government in Michigan expects to collect this year about \$46,000,000 in taxes, including all those types of taxes the proceeds of which go into the general fund of the state and are available for expenditure in whatever way the state may determine. A number of other taxes are collected by the state, however, which are really not state taxes at all. For example, our state constitution requires that certain of the taxes levied by the state, those on public utility corporations notably, be returned to the localities for the use of the schools, through our primary school fund. Furthermore, the taxes on gasoline and motor vehicles, collected by the state, are all required by law to be devoted to highway purposes—

partly by the state and partly by the counties and cities—for the direct benefit of those paying them. The tax revenues available for the general conduct of the state government are more restricted than is sometimes believed, and I have no doubt that much the same situation prevails generally throughout the country.

DR. CAVERLY: Even so, doesn't your figure of \$46,000,000 represent a considerable increase over comparable tax levies by your state in previous years? If I'm not mistaken, the increase must be in the neighborhood of \$16,000,000. I should think that this year particularly a substantial decrease in taxation would be altogether more in line with sound economy.

#### STATE RESPONSIBILITY INCREASED

GOVERNOR COMSTOCK: And so it would. But the important thing is the decrease of the *total* tax load, and not necessarily that part of it levied by any one grade of government. You must not leave out of account that the total tax burden includes not only the state levies, but also the far greater levies made by local governments—counties, cities, and so on—for the support of their own functions. There is a tendency in Michigan, and I think throughout the country, for state governments to take over certain governmental and financial burdens which their local governments are now finding too difficult to carry. The states are assuming an ever-increasing share of responsibility for financing the activities of the local units. That means, as far as it goes, an increased need for state revenues and increased levies of state taxes—but they are increases compensated for by the reductions in local burdens which are thereby made possible.

DR. CAVERLY: You mean to say, then, that the anticipated increase in state taxes in your state is explained at least in part by some transfer of responsibili-

ties from local to state government? If that is the case, what are the principal instances of such transfers in Michigan at the present time?

GOVERNOR COMSTOCK: Yes, the necessity in Michigan of assisting local government to a greater extent this year than in the past explains—and more than explains—why we plan to increase the flow of tax revenues into the state general fund. A considerable part of that \$46,000,000 will be returned to units of local government by the state.

Let me give you just two items. We are going to find it necessary this year to assist local governments in carrying the burden of welfare expenditures. The welfare load has become too great for many of our municipalities to handle, even with the assistance they have been getting from the federal government. We estimate that some twelve million dollars will be required for this purpose, and that amount has been appropriated. Likewise, the state will have to provide far greater assistance for our local schools than ever before, if educational facilities are not to be unduly restricted throughout the state. The local property tax upon which the schools have largely depended for their support is no longer adequate. Possibly fifteen millions will be necessary for the relief of local school budgets.

Now, eliminating such items as these, you will find that the cost of carrying on the old state functions in Michigan has been materially reduced. In other words, *the total cost to the taxpayer is not going to be increased this year. It will be lessened.* And furthermore, he will be getting more for his money.

DR. CAVERLY: Since that is the situation in Michigan, Governor, I can see that an increase in state taxes is not necessarily an increase in total taxes, in so far as the state is absorbing some part of the local burdens. I suppose, by the way, that you are planning to meet a considerable part of your state

tax needs this year from the new sales tax, which I believe has just recently been put in effect in Michigan?

#### RETAIL SALES TAX AN EXPERIMENT

GOVERNOR COMSTOCK: Yes, Michigan, like a great many of our states, is experimenting with the sales tax. Let me say, though, that while it is a new tax in Michigan, I don't regard it as an additional tax.

DR. CAVERLY: Just what do you mean?

GOVERNOR COMSTOCK: We are planning in Michigan to eliminate the tax on property as a source of state support and to relinquish the property levy entirely to local government. Our state property tax has been practically eliminated this year. Of course, in order to get rid of the state property tax, it was necessary to enact a substitute tax for the financial support of the state. We have turned to the retail sales tax, from which we expect to derive three-fourths of the state tax revenues.

DR. CAVERLY: Do you consider that change in tax bases a part of your program for protecting the taxpayer? In other words, what advantages do you expect to gain from making such a change?

GOVERNOR COMSTOCK: From the point of view of the state, we expect to gain by having a tax that will be dependable because it can be collected. American states and local governments have pushed the property tax too far; they have tried to levy a little bit more than the traffic would bear. The result has been tax delinquency on a tremendous scale. We could levy enough on property for all the purposes of government; but we can't collect it. In my opinion, property levies must be reduced and an alternative source of tax revenue developed for the state.

And from the point of view of the taxpayers, there will be gains also. The



sales tax will make the total load easier to carry, because it broadens the base upon which the load rests. The more widely and the more evenly the tax burden is spread, the easier it will be for everyone to pay his share.

DR. CAVERLY: You are inclined, then, to regard the development of state sales taxes as the permanent solution of the problem created by non-payment of property taxes?

GOVERNOR COMSTOCK: Not at all. Our sales tax is frankly an experiment. We are going to see how it works. But the problem of readjusting the tax load and reducing property levies must find *some* solution, and we hope our retail sales tax will fulfill the requirements. Of course, when the law has really been tested, and possibly modified in some particulars, and when the administrative regulations have been tried out, we shall be in a position to know whether the levy should be permanent or whether some better substitute for the state property tax has to be found.

DR. CAVERLY: Upon whom is the Michigan sales tax levied, Governor? You know that a great variety of these taxes have been tried in the last few years, and I have no doubt that the experience of Michigan with the levy will be of interest to a good many other states.

GOVERNOR COMSTOCK: The tax is on all persons selling goods at retail in the ordinary course of their business operations. It does not reach occasional sales by persons not in business, nor does it tax sales of services—that is, salaries, fees, or professional charges. Legally speaking, the tax is on the seller, not the consumer, although it is understood that the seller will have to take the tax into account in fixing his prices, just as he would have to pay attention to any other cost of doing business. Some of our citizens, I understand, dislike the special devices that have been introduced by particular

merchants for passing the tax on to them. They should understand that the state is taxing the merchant and is not responsible for any schemes for collecting the tax from consumers which the merchant may happen to invent.

DR. CAVERLY: It is certainly true that the rapid spread of the sales tax, in one or another form, has been the most arresting development in state taxation during the last two or three years. But if these taxes can be held strictly within the class of substitute levies and are not permitted to become additional tax burdens, I think they may assist the taxpayer in securing the real advantage of a somewhat more general spread of tax burdens.

But now, Governor, let me go back to a point you were making a few moments ago. I believe you suggested that an increase in the responsibility of the state in collecting funds to be used for local purposes would "give the taxpayer more for his money." I think we would agree that that is the real test of whether the taxpayer is securing protection. But just how do you reach your conclusion?

GOVERNOR COMSTOCK: The real test is whether the government—any government—operates with true economy. Economy does not mean spending the least possible money. It means getting the necessary governmental functions performed for the least possible money. And not only that, it means collecting the taxes to support those functions as cheaply and at the same time as fairly as possible. It is my view that American states during the next few years will find it necessary and economical to assume larger responsibilities for the financing of local functions—particularly for the support of primary schools—than they have ever done in the past. The state, after all, has a wider range of tax resources at its command than do local governmental units. Its finances are therefore more flexible and it can

spread the tax burden more equitably. Consequently, it is only through greater centralization in the financing of some of these local services—that is, in the process of tax collecting—that an equalization of opportunities for all the citizens of the state can be secured and at the same time the necessary taxes made to bear equally on all classes. Our states may seem to increase their demand for tax revenues during the next few years, but if they do it will not be for their own uses but only as collecting agencies for local government. That is a move in the direction of true economy.

#### GREATER CENTRALIZATION NEEDED

DR. CAVERLY: I think there probably *are* a number of special reasons for greater centralization in tax collection. Certainly any attempt to standardize educational facilities throughout a state which necessarily exhibits great differences in wealth and in ability to pay taxes in different sections is going to require state intervention. But it seems to me that this principle of centralization might be broadened in various ways, and made the basis of a number of substantial economies. And the taxpayer, Governor, wants economy in government carried just as far as it can be carried without endangering the performance of functions.

GOVERNOR COMSTOCK: I am becoming more and more convinced all the time that centralization, in a certain sense, is the key to the problem. I would not advocate, however, centralization of functions—that is, any wholesale transfer of duties from the local units to the state. The state is doing quite a sufficient number of things already. What centralization suggests to me is rather a greater concentration of administrative responsibility within the machinery of the state government itself. It has to be remembered, Caverly, that governmental organizations aren't

created. They grow. And in the course of their growth, they put forth a strange assortment of fruit sometimes, in the shape of numberless boards and bureaus and divisions which gradually get established for some purpose or other and don't often enough get abolished.

It is not merely that the existence of too many such organizations increases the number of governmental employees and inflates the state pay-roll. As a matter of fact, many of the members of our boards and commissions in Michigan serve without compensation. But their mere existence makes administration unwieldy and difficult. Getting things done takes too much time, time spent in sorting out the proper procedures and unwinding the red tape, time spent in getting the proper authority apprised of the problem and convinced of the proper solution. As a result, fixing definite responsibility for administrative deficiencies is frequently well-nigh impossible.

If we could simplify—very materially—our administrative set-up in Michigan and center administrative responsibility on a few key executives, the day-to-day operation of government could proceed far more smoothly and quickly and economically.

DR. CAVERLY: I don't believe, Governor, that you are speaking for the state of Michigan alone. It seems to me that major curtailments in governmental expenditures in all our states will have to depend on such changes as you are suggesting: changes and simplification in the structure of government and not mere blanket reductions in budgets. But in view of these possibilities of economy, it is certainly clear that state taxes, those levied for the support of the state government itself, and leaving aside collection of additional funds to be used by the local units, should show a substantial decrease during the next few years. They



*should* be less this year, don't you think?

GOVERNOR COMSTOCK: They most certainly should, and I am glad to say that in Michigan they will.

DR. CAVERLY: Well, that result certainly ought to be the most acceptable protection you could give to the taxpayer, Governor. How have you accomplished it? What specific economies in the regular and normal field of your own state government have you been able to effect?

GOVERNOR COMSTOCK: We haven't economized to any great extent by eliminating functions or abandoning specific services. I'm doubtful whether that would be real economy. What should be done, and what we have tried to do, is to perform the same functions and furnish substantially the same services at less cost to the state and to the taxpayer. The best evidence I can give you is to say that this year's appropriations for the standard state services, where comparison with previous years is possible, have been reduced by five and three quarter millions as compared with last year. Substantial economies in state government had already been made in 1932, so that this is a further reduction below an already reduced level of state operation. In Michigan we appropriate for periods of two years. The total comparable appropriations for the next two-year period are nearly sixteen million less than for the past two-year-period. The reduction is approximately 25 per cent.

DR. CAVERLY: Well, that is certainly a substantial reduction and a substantial contribution to the taxpayer's interest. But there is another phase of this matter of protecting the taxpayer that I've been wanting to ask you about. We all admit that essential governmental functions must be performed by the state, and it seems probable that there are elements of economy and advantage in collecting the neces-

sary funds for local purposes in greater part through the machinery of the state government, and likewise, in concentrating responsibility for the economical performance of state administrative duties. But how can the taxpayer feel assured that the funds he provides will be properly used—that, whatever their amount, the greatest service possible will be extracted from their use?

GOVERNOR COMSTOCK: In my opinion, Caverly, the only real assurance that the best use will be made of tax funds is to be found in the establishment of a sound budgetary system and in strict adherence to its provisions. A state, just like a business corporation—or an individual, for that matter—can get the most benefit out of its financial resources only by wise planning in advance. In Michigan, we have a very good budget law backed up by a fairly effective system of governmental accounting, which together go far to assure that the contributions of taxpayers shall be used for the purposes for which they were intended.

DR. CAVERLY: You are thinking of the budget system mainly as a device for planning, then?

#### AN EFFECTIVE BUDGET SYSTEM

GOVERNOR COMSTOCK: Planning and control both. Michigan's state budget is prepared every two years by the budget director and his staff under the direct supervision of the governor. We have in Michigan what is generally known as a joint executive-legislative budget, and the governor, as the responsible elected executive officer of the state, is made immediately responsible for devising a financial plan for the state. That plan or budget must not only determine how much is required to operate the state but likewise how the total should be apportioned among the many services to be performed in order to secure the maximum advantage to our citizens.

DR. CAVERLY: When that budget is prepared, of course, it has to be approved by the legislature, doesn't it?

GOVERNOR COMSTOCK: Yes, the legislature, of course, has full authority to make the actual appropriations. But the formulation of the budget provides it in advance with a workable plan for which the executive authority is responsible; and besides, you know that items in appropriation bills have been vetoed by governors before now.

Furthermore, a budget, once it is set up, provides a system of control. Our administrative board, which in Michigan consists of the elected officers of the state government, including, of course, the governor as presiding officer, has power to authorize the release of funds after their appropriation to the several departments of the state. Consequently, no money can be paid out of the state treasury unless in accordance with a legislative appropriation and unless authorized by the administrative board in the light of the condition of state finances at the time. The purpose, of course, is to make sure that the taxpayer's dollar shall be utilized only in the way determined by his legislative representatives and under such conditions as warrant its expenditure in the opinion of his elected state officials.

DR. CAVERLY: You seem to feel, then, Governor, that the essential step in providing for the planning of state finances and centering responsibility for them in the administration is the creation of an effective budget system.

GOVERNOR COMSTOCK: That is the case, but the budget system should provide very definitely for proper centralization of responsibility. In Michigan, for example, there is one weakness in our system which should be corrected. The state administration takes office in January, only a few days before the convening of the legislature, which should at once take up the consideration of the budget. For an incoming ad-

ministration, the time is inadequate to prepare the budget carefully unless the plans of the preceding administration are accepted or unless the legislative session is unduly protracted. We need a change not so much in our budgetary system itself but in the time schedule which governs budget preparation. Throughout the country, the better the provisions of the budget laws the greater the protection that is accorded to the funds of the taxpayer.

DR. CAVERLY: In connection with the budget as a financial plan, Governor, you mentioned the state accounting system. The state, of course, must keep its books of account as any business enterprise does. But I wonder why you regard the budget and the accounting system as interrelated?

GOVERNOR COMSTOCK: A budget is not much good unless you carry it out. A good state accounting system is required to enable us to know that the budget is being executed as the administration and the legislature intended that it should be. Consequently, there have been set up under the state administrative board not only a budget division but an accounting division—and, for that matter, a unified purchasing agency likewise. An adequate system of state accounting will show at all times the amount of funds available for each division of the state government—for every department and board and institution. It will indicate the legislative appropriations made for the use of these agencies and the extent to which those appropriations have already been drawn upon during the current year. A good system of state accounting will not only indicate on any given date to what extent each appropriation has been actually expended, but it will also show, as ours does, all encumbrances against that appropriation—i.e., all purchases that have been made or contracts that have been let the ultimate



payment of which will constitute an obligation against the appropriation in question.

The result is a continual check that enables us to know that no agency of the state is exceeding the allotment of the taxpayers' money that has been made to it. Consequently, we can be assured that that money will be used for the purposes for which it was raised.

#### CENTRALIZED PURCHASING MEANS ECONOMY

DR. CAVERLY: What about that purchasing agency you mentioned incidentally a moment ago?

GOVERNOR COMSTOCK: That too is a part of the attempt to see that the taxpayer secures as much as possible for his dollar. It's just plain common sense to concentrate the purchase of all the materials and supplies which the state requires in a single agency in order that the state, like a well-managed business, may take all the advantages possible of buying in large quantities and in the light of expert knowledge of market conditions.

DR. CAVERLY: There is just one further difficulty, Governor, with respect to the carrying out of the state's budgetary plans, that I would like to have you clear up. Each of your state budgets covers a period of two years. Suppose that during the course of such a period unexpected needs arise—emergencies which must be met by the state and for which no regular appropriations have been made. That sort of situation must come up occasionally with public as it does with private budgets. What do you do in such a case?

GOVERNOR COMSTOCK: There is one element of flexibility provided in our

budget system, as there must be in all budget systems. We make an annual appropriation for emergencies, which amounts to \$1,500,000 for each of the next two years, and which is provided in the budget just as any definitely anticipated expenditure is provided for. If I become convinced that a real emergency exists, I am authorized to call a session of the administrative board expanded into an emergency finance committee by the addition of two members of the finance committee of each branch of the legislature. This board can allocate funds for meeting emergency needs within the limits of our emergency appropriation.

DR. CAVERLY: Well, it seems to me, Governor, that you have been able to show that the taxpayer does have a substantial amount of protection after all. He certainly wants, now perhaps more than ever before, economy in the conduct of government. But I feel confident that he does not want impairment of valuable and essential governmental services. So perhaps we can agree that what he requires is in the first place a reasonable reduction in the cost of operating our states, but on top of that assurance that the funds he supplies will be made as productive as possible—that he will really get his money's worth. And if greater centralization of tax collection in the hands of the state will contribute to that result, and if further centralization of administrative responsibility will permit more efficient governmental operation at reduced expense, and if adequate budgetary and accounting procedures can assure him that his money will be devoted to proper purposes and expended in accordance with a wise plan, I believe he will not be too dissatisfied.

# Reducing The School Budget

With school population increasing, enlargement of area of administration seen as one of the possibilities for saving huge sums with no curtailment of service

GEORGE S. COUNTS

JOHN K. NORTON

ROBERT E. SIMON

*Columbia University*

*Chairman, Joint Commission on Emergency in  
Education, National Education Association*

*Education Chairman, United Parents Association*

PROF. COUNTS: Although economic conditions are apparently improving throughout the nation, and have been improving for some months, we are still in the grip of the most severe and widespread depression of our history. Besides working the many ills with which we are all familiar, it has placed extremely severe strains on government and greatly increased the difficulty of maintaining the public services. And among these services education is one of the most important and universal. Practically every community in the nation has been faced with great difficulties in keeping the schools open. All of us have heard innumerable rumors about the financial plight of the schools in these difficult times.

MR. SIMON: Yes, Counts, we have all heard the rumors; but what are the facts? Norton, as Chairman of the Joint Committee on the Emergency in Education, you have been gathering facts on the situation. What have you found out?

PROF. NORTON: The best available estimate indicates that the cost of all elementary and high school education for the school year just ended, was about \$1,900,000,000. The corresponding figure for 1930 was \$2,300,000,000. This drop of 400 million dollars in the nation's public school bill is due to re-

ductions in expenditures both for school buildings and current operating costs. A simpler way of indicating the reductions, which have been made in school expenditures since the onset of the depression, is to cite per pupil figures. In 1930, the average expenditure per pupil was \$90, as compared with an estimated per pupil expenditure of \$74 for the school year just closed. In considering these general averages, however, it is important to realize that they *are* averages and that the reductions in the financial support of education vary tremendously in different states and localities. In some states schools have been closed in certain areas. Eighty per cent of the rural schools of Alabama, for example, shut down before April 1. It is uncertain when they will re-open. Other states, such as New York, have kept all their schools open and have attempted to limit reductions in educational budgets to those justified by the criteria of economy and efficiency. A state by state and community by community enumeration of reductions in school costs shows great differences. One of the striking generalizations that can be made, however, is that those communities which were making the most meagre provisions for education at the onset of the depression have been hit the



hardest; while those which were making relatively adequate provision for education, have, generally speaking, made less drastic cuts.

#### COSTS HIGHER IN EARLIER DEPRESSIONS

PROF. COUNTS: But isn't the reduction of school budgets the normal thing during hard times? Simon, I think you know something about that question.

MR. SIMON: Yes, I have looked into the matter, but history shows quite a contrary tendency. During the major depressions of 1837-1843 and 1873-1878 the educational programs were expanded and costs increased. During the former period, the cost of public education in Massachusetts, under the influence of Horace Mann, became 35 per cent greater, and in most of the states of the Union increased amounts were appropriated. In 1873-1878 the cost of public education rose 53 per cent. School terms were lengthened, high schools were established, and compulsory educational laws were enacted. A better understanding for the present situation is imperative; and a more forceful public opinion must be aroused, if this depression from which we are now emerging, we hope, is not to go down into history as the first in which education was permitted to go backwards instead of forward.

PROF. COUNTS: Then, Norton, perhaps the explanation is that the reduction in school budgets at this time has been accompanied by a reduction of services.

PROF. NORTON: That is a popular idea, but the fact is that the schools in 1933 are providing schooling for more children than in any previous year in our history. Those who have not thought through the matter, frequently ask why school costs have not come down as fast as those of some business organizations. They forget that today the typical business organization and the typical school are in quite a dif-

ferent position so far as the load they are supposed to carry, is concerned. The schools are carrying a heavier burden in 1933 than in any previous year. School attendance has continued to increase some 200,000 each year since 1930. This increase is particularly heavy in the high school where costs are relatively high. Also the impact of the depression has been felt in all school grades. For many children the school house is the one place where they can find warmth in the winter. In certain sections, schools have even been forced to provide food and clothing for some pupils. In short, the schools had to do more during the past school year than ever before. The typical business organization has been in quite a different situation. Due to conditions growing out of the depression, there has been a lessened demand for its services. Its output has been correspondingly decreased, and consequently its operating expenses could be reduced. Not so for the schools! Business was never better for them. Society expected the schools to turn out a larger educational product in 1933 than in any previous year.

MR. SIMON: Then what is to be done? There are many staunch and generous friends of education who are having difficulties meeting their tax bills. Some of them in all sincerity might ask us, "Have you no constructive suggestions to make whereby economies could be effected without lowering the standards?" Counts, what is your answer?

#### ELIMINATE THE ONE-ROOM SCHOOL

PROF. COUNTS: Yes, I think there are certain economies that might be effected without impairing the quality of the service. To achieve them, however, is not so easy, because of the persistence of ideas and prejudices which come down to us from the horse-and-buggy age. Our public school system, as we

all know, was developed for the most part before the day of the automobile, the hard-surfaced road, and other modern forms of transportation and communication. As a general rule therefore the units for the support and administration of schools within a particular state are too small for efficiency. Thus in 1930, according to the report of the Office of Education, there were 148,711 one-room school houses in the United States. These diminutive units, each with its controlling committee of perhaps three citizens and more or less autonomous in educational matters, belong to a world that has passed away. They are costly reminders of the past. The school districts, of which they are the expression, are but symbolic of the irrational basis of school support and administration in the country. Undoubtedly the redrawing of the lines of school administration within the states would result in saving the nation many millions of dollars.

PROF. NORTON: Yes, Counts, but why confine yourself solely to the situation within individual states? The automobiles you talk about don't stop when they reach a state line. There are certain improvements in the organization of the schools which cannot be accomplished unless we look upon education, in some ways at least, as a matter of national concern. For example, there is the problem of training teachers. Under our present methods there are no means whereby a reasonable balance may be struck between the number of teachers actually needed and the number actually trained. Fifteen years ago there was a great shortage of teachers. Many schools were closed because certificated teachers were not available. Today there is an over-supply of teachers. An adequate statistical service and the arrangement of interstate agreements concerning teacher training would permit a sensible balancing of the demand for and the supply of

teachers. The result would be enough well-trained teachers, and savings in expenditures for teacher-training institutions. The school systems of the United States need codes which will bring a greater measure of intelligence and foresight into their operation, just as much as do the textile or the steel industry. Individualism has its place, and a large one, in education. But there are certain factors which now operate to reduce the efficiency, and to increase the cost of education, which cannot be met solely through an individualistic approach.

It is such considerations which doubtless influenced the National Advisory Committee on Education to point out, in its recent epoch-making report, that there are certain educational functions which cannot be discharged with economy and efficiency unless the federal government plays some rôle in the development of education in the United States. In fact, the current crisis has clearly demonstrated that injustice to millions of children is likely to result if the total responsibility for education is placed upon small local districts, or even solely upon individual states. The American economic system, which is the source of school support, shows little respect for either local or state boundaries.

#### FEDERAL AID FOR EDUCATION

MR. SIMON: Yes, and does that not mean that the cost of education might be borne at least in part by that division of government which is capable of tapping the largest tax resources? Every state in the Union finds it expedient and desirable to include in its budget an item for state aid in education for local communities. It uses its wider taxing powers to equalize the tax burden and to force the richer communities to support the poorer ones. Why then should not the federal gov-



ernment do likewise to a greater degree than at present? In Washington our representatives are talking about the "New Deal," enacting laws eliminating unfair competition and child labor, regulating working hours and wages, voting vast sums for the benefit of farmers and mortgagers, aiding states in building roads, bridges, and other local public improvements; but not one word has been heard about keeping schools open or maintaining proper educational programs. Who is going to maintain the spirit of this "New Deal" and carry on in the future if our school children have not been properly prepared to do so?

PROF. COUNTS: But gentlemen we are not getting the budget reduced. Are there not other possible roads to economy? Norton, you stated a few moments ago that budgets are actually being reduced. How is it being done?

#### REDUCING THE BUDGET

PROF. NORTON: Various methods are being used. The size of classes has been increased in certain communities—in some instances to the extent that it would be more accurate to say that pupils are being herded, rather than taught. In other instances, teachers' salaries have been cut. In some cases these cuts have been drastic. In many other cases the reductions have been reasonable. Expenditures for school buildings have been sharply reduced. Many communities have shortened the school term and the length of the school day, with resulting decreases in the amount of schooling provided. Some have even closed the schools for indefinite periods.

PROF. COUNTS: Those are certainly effective methods of reducing the school budget. But it seems to me that they all amount in the last analysis to reducing or impairing the quality of education. Working on such a principle we might reduce the budget to zero by clos-

ing the schools altogether. What is your view of these methods, Simon? You are a parent as well as a taxpayer.

MR. SIMON: The increase in size of classes is of great concern to parents. The true state of affairs is not told by school statistics. An average of forty children in a classroom may be very misleading. It may mean fifty, sixty, or in some instances even more. It may mean more children in one room than accommodations have been provided for. A teacher cannot teach so many pupils effectively. Under such circumstances the individual child does not receive the attention he is entitled to. As for teachers' salaries, it must be remembered that they purchase something more than mere teaching. We expect teachers to be an example and an inspiration, to develop good habits, to mould character, to supplement the home and bring out the best in the child. In a time of depression when parents' nerves are strained, then more than ever the teacher can be of great influence for good. But if she is underpaid and worried, her pupils are the sufferers. No, reducing teachers' salaries to a point where their efficiency is impaired is not a parent's idea of intelligent economy. As to your third point, Norton, before parents would concede that anything can be gained financially by the community through shortening the school day or year, or the school career of the child, they have to be shown some better way for taking care of the child when he is not at school. They know the ultimate cost of street accidents, gangs, and unsupervised play in the cities.

#### EFFECT OF LOWERING QUALITY

PROF. COUNTS: Then, Simon, if your remarks reflect the parents' point of view, the American people will oppose any drastic impairment of the quality of education, unless they have lost their faith in public education or their de-

votion to the ideal of equality or opportunity—and I am sure they have lost neither. Such impairment would turn back the clock of educational development in this country and precipitate an old battle that we all thought had been decided in the last century. Would parents, who could afford private schools, continue to send their children to schools with free tuition if they knew that the quality of instruction was of a distinctly inferior grade? We know of course that they would not. On the contrary, they would turn to private class schools and thus reestablish the double educational system of eighteenth and nineteenth century Europe, with one school for the masses of the people and the other, much richer, finer, and more extended, for the well-to-do. When the quality of public education becomes inferior to that of private education, then will our whole theory of public education and the ideals to which it gives expression be put in jeopardy. If our public schools are not to be the best that we can make them, they will inevitably tend to become schools for the poor, schools for paupers, as they were in the eighteenth century before the great battles for democracy were fought. When men advocate the impairment of public education, it would be well to inquire whether they are advocating it for their own or other people's children.

MR. SIMON: What do you educators think of the suggestion that parents should pay for the education of their own children in public schools, particularly at the level of secondary and higher education?

PROF. COUNTS: I would prefer to let Norton answer that question.

PROF. NORTON: There are really two issues involved in this question. First how many children are to be offered free educational opportunities beyond the elementary school. Second, just who is to pay the cost of this education.

If we limit high school and college education to a privileged few, we will be violating one of the most fundamental ideals of American life—namely, that every child, irrespective of his economic or social position, shall be given an equal opportunity to develop such talent as he may possess. High school education, and—in an increasing degree—college education, are as essential today as an elementary education was fifty years ago. In order to be admitted to a professional school of any standing, whether the profession concerned is medicine, nursing, law, engineering, or teaching, one must be a high school graduate. The first question asked applicants for jobs even in the typical commercial establishment is often—“Are you a high school graduate?” If the answer is “no” you are no longer considered for employment. In short, by limiting high school education to those who can pay, would be equivalent to shutting the door of vocational opportunity in the face of many worthy children. The same applies all along the line whether one is thinking of the cultural, the civic, or some other phase of life. This is not only true in the United States but in the countries of Europe. This is shown by a marked trend in these nations since the World War to provide free high school education for all. In short, both our most cherished social ideals and the whole trend of social evolution in the western world suggest the importance of keeping the doors of opportunity wide open—not only on the elementary school level, but also on the high school and college levels.

Assuming that educational opportunity is to be kept open, let us next ask, who should pay for it—the individual parent or society as a whole? Society as a whole should pay for it, for two reasons. First, if individual parents are required to pay tuition for their children, many worthy boys and



girls will obtain but half an education, because their parents are poor. Second, society should pay for high schools and colleges because it is of advantage to all of us that every child should have a chance to develop such capacity as he may possess. The fact that he may benefit as an individual is merely incidental. Unless the education which he receives makes him a contributor to the well-being of all of us, it is the wrong kind of an education. The thing to do is to be sure that every child receives the kind of education which will make him a better worker, a better parent, and a better citizen. Education which results in these values is a benefit to all society. General taxation for such a purpose is really a social investment, and one which brings large dividends.

After all, it should be remembered that the cost of providing a satisfactory educational opportunity for all children will be no less if the individual parent pays tuition. The cost, in the end, must come out of the social income. Therefore this cost can best be met if each of us contributes according to his ability—particularly since the thing bought is of value to all of us.

#### IN A NUTSHELL

MR. SIMON: Then it seems to me that the matter boils down to this: unless the American people wish to abandon certain deep seated prejudices regarding local control and support of education, there are no major sources of economy that do not impair the quality or reduce the quantity of education. Is that true, Norton?

PROF. NORTON: Yes, Simon, that is about it. From 80 to 90 per cent of the typical school budget is expended for salaries. This proportion cannot be reduced unless classes are increased in size, thereby decreasing the number of teachers needed; or unless teachers' salaries are reduced. As a parent and

a taxpayer, you have stated that you do not wish your child to be in too large a class, and that you insist that teachers' salaries shall not be cut below a level which will permit the employment of competent teachers.

Something less than 20 per cent of the school budget is expended for such items as supplies, fuel, insurance, and janitorial service. Better business procedures already adopted by progressive schools in the purchase of supplies, have resulted in some real economies. Greater care in the purchase and burning of fuel permits similar savings. Strict supervision of school janitors results in other small economies.

MR. SIMON: Well, Norton, you have made it clear that reducing school budgets is no simple matter to be lightly undertaken. It involves the whole question of the kind of education we are to provide for our children, and the present age unquestionably requires that they be educated well. They must be prepared to take their places in a society that is constantly changing and that is full of complexities. Our schools comprise our largest and most vital enterprise. If Henry Ford would not think of going back to the production of the old model T during this depression, how can we think seriously of doing just that kind of thing in the field of education. To be worthy of the name education must be alive and responsive to the needs of the times. The size and number of our school buildings are only in keeping with the demand and are symbolic of the spiritual transformation that education requires. The subjects taught and the opportunities of choice afforded the boy and girl in our high schools only reflect the multiplicity of occupations awaiting the pupil on graduation. The maintenance and improvement of our whole social structure depends upon the ability of the members of each succeeding generation to carry on the work of

their fathers and mothers. One no longer asks: "Can he read and write?" That is taken for granted; society expects much more of public education. The modern school does much that was formerly done in the home. It provides special care for the physically and mentally handicapped and for both the backward and superior child. It organizes guidance clinics for the maladjusted and engages in the reëducation of the unemployed, and the education of adults. Youth now must be prepared for the use of leisure time. We know that education does not stop with the granting of diplomas. The schools are the training camps of our peace-time army.

PROF. COUNTS: In concluding this round table discussion I would like to make one thing very clear. The present economic condition of the country is not permanent. Whether this depression was due to the incompetence of our economic leadership or to grave weaknesses in our economic system, as many believe, in time it will pass away. Consequently any reductions in the educational budget that are not justified in terms of efficiency and the improvement of the service should be regarded as temporary adjustments to an emergency situation. Communities all over the country have made such adjustments; they may make others. We are not interested in recommending any particular solution to the problem, but on the contrary, are merely desirous of placing before the people some of the major factors in the problem so that they may make their decisions with their eyes open to the issues involved.

I should also like to point out that the problem of taking care of children and youth during the years ahead will be one of great difficulty. With the coming of machine industry we passed child labor laws to prevent the exploitation of children in factories. This was followed by compulsory education laws

which have gradually extended the school age upward, in some states, to seventeen and eighteen years. Furthermore, the steady advance of technology has so increased the efficiency of the machine and the use of mechanical energy that the demand for human labor has been greatly reduced. As a consequence there are no jobs in industry for boys and girls, or even for adolescents. And all of these tendencies may be expected to continue in the future. Society must provide for the younger generation up to the age of seventeen, or eighteen, or even perhaps to a later age. Whether this is done through the school or some other agency is not the question under discussion. But certainly the American people are not to find the solution by retiring into the past and reducing school attendance. In that direction lies only disaster.

And now I would like to direct attention to the work and aims of the organization with whose coöperation these broadcasts are being presented—the National Committee on Citizens' Councils for Constructive Economy. This organization grew out of a conference on the crisis in education which met in Washington on the fifth of last January at the call of the President of the United States. Realizing that constructive economy cannot be promoted successfully by any purely national body, however representative, it has launched a drive for the organization of citizens' councils. Its aim is a local citizens' council, composed of representatives of existing civic groups and public boards, in every community in each of the forty-eight states and the District of Columbia. The National Municipal League, with offices at 309 East 34 Street, New York City, has consented to act as the center of coöperation and coördination in this work. Only through a general awakening of

(Continued on Page 388)



Experts discussing  
greater demands for  
library service; out-  
line ways to scruti-  
nize administration  
with a view to cutting  
costs

## How to Reduce the Library Budget

CARL H. MILAM  
ORA L. WILDERMUTH  
H. L. WOOLHISER

*Secretary, American Library Association  
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MR. WOOLHISER: As a city manager, I want to say that the problem we are to discuss is a very real one. Tax collections have shrunk and budgets must be cut. As a taxpayer, Judge, I suppose you agree to that.

JUDGE WILDERMUTH: I certainly do. Wages are down, and the incomes from every business and every property has been drastically reduced. In many cases the income from property is not sufficient to pay taxes, much less living expenses of the owner. Why, Mr. Woolhiser, aren't governmental expenditures reduced in exactly the same way that private and business expenditures are reduced?

MR. WOOLHISER: Well, Judge, there is a real difference between the responsibilities of public and private business during a depression. Private business curtails its production immediately upon the falling off of orders. On the contrary, a depression causes a very pronounced increase of orders for governmental services of all kinds because these services are in general essential to public safety and welfare. The unemployed and their dependents must be provided with food, clothing, and shelter until such time as a revival of business can again furnish them employment. Police and health problems are increased. Indiscriminate reduction

of public expenditures without regard to the consequences may mean merely shifting expenses from the tax dollar to the private dollar without actually relieving the taxpayer's burden. Isn't that reasonable, Judge?

JUDGE WILDERMUTH: Yes, I suppose it is. There are times when government, especially the national government is just about the last hope we have.

MR. WOOLHISER: Don't say last hope, Judge. The national, state, and local governments are not necessary evils. We should look on them as the established agencies through which the people themselves do things together. We have police departments because it is less expensive to protect ourselves that way than it is for each householder to hire his own watchman.

JUDGE WILDERMUTH: Of course, I agree with that, Mr. Woolhiser. But you will have to admit that such operations as are necessary ought to be performed at the least possible cost and that some governmental activities are much more important than others.

MR. WOOLHISER: No question about that, Judge.

JUDGE WILDERMUTH: I think, Mr. Woolhiser, one serious mistake that is being made by those representing educational and social agencies is that of

assuming that all their activities are essential. This, of course, is not true. Under normal circumstances we regard educational and social agencies and kindred activities as being necessary to the organized well-being of society. In a time of depression we have to stop considering what is good for a well organized social structure and consider what is necessary for continued existence of the people. In my town we have been spending \$90,000 per month for poor relief and that is not enough. Our public library spends about the same amount each year. Suppose we are reduced to the necessity of eliminating one of these functions, which will it be, Mr. Milam?

#### FOOD COMES FIRST

MR. MILAM: If it actually came down in any community to a question of whether people should have enough to eat or have something to read, the librarian would agree with all the rest that food comes first. But that is a purely hypothetical question. No community is actually faced with that problem, if for no other reason than that the federal government has come to the aid of local communities in providing relief. The problem actually being faced by American cities, towns, and counties is simply that of making the wisest possible distribution and use of such money as is available for governmental services.

MR. WOOLISER: Mr. Milam, that sounds quite simple and easy, but because of the complexity of the services rendered by the modern city, public officials responsible for the coördination of all the various functions under their control are finding that the pruning process must be carried on with extreme care and with an eye to the relative importance of the numerous services which local government has been called upon to provide, particularly in recent years. These services may be

logically classed in three groups: (1) to protect life and property; (2) to provide certain physical necessities, such as sewage and waste disposal, streets and highways, and water supply; (3) to provide educational and social services essential to civilized existence.

JUDGE WILDERMUTH: The library obviously falls into this third group of services. But, Mr. Milam, just how do you, as a librarian, justify the library's claim to being an educational institution in view of its large circulation of fiction?

MR. MILAM: Many people do read novels, though only a small part of the library's book fund is used to buy them. Many people go to the library to continue the education they started in high school or college, to get ready for new jobs, to prepare for civil service examinations, to learn how to make money at home, to understand what caused the depression and what is being done about it. A check-up on what people are reading was made in the St. Louis Public Library on two days last June. A clerk borrowed a book on typewriting and another on letter-writing. An inspector of boilers and elevators borrowed a book on electric elevators. A Negro laborer borrowed a history of South Africa. And a college student borrowed "The Making of the Modern Mind." "The surprising thing," says Dr. Bostwick, the librarian at St. Louis, "is the small proportion of ephemeral books taken."

MR. WOOLHISER: That is very interesting, Mr. Milam, but are you sure that the experience at St. Louis is typical?

#### SERIOUS READERS INCREASING

MR. MILAM: I am sure of that, Mr. Woolhiser, and I can illustrate it with the following statement from a librarian who checked up one day in his reading room to find out what the readers were actually doing. A woman who makes



scarfs to sell was getting some new designs. A man who was experimenting at home with a new varnish was getting a formula. A middle-aged man, who was trading his city home for a farm, wanted to know all about the soil and climate of the locality. A young engineer wanted everything available on subway building—for a civil service examination. In Baltimore, serious reading has increased by more than 50 per cent since 1929. In Oak Park, Illinois, it was 55 per cent. In one branch of the Chicago Public Library, 50,000 books on a thousand different subjects, not including fiction or biography, were taken by adult readers in a period of six months.

JUDGE WILDERMUTH: The depression has increased the use of the library in Gary. Is that true everywhere?

MR. MILAM: Yes, in the country as a whole, Judge, between four and five million people have become library borrowers in the past three years who have not used libraries before. The increase in circulation has been nearly 40 per cent. The public libraries of New York City alone circulated nearly 27,000,000 books last year, which is six and a half million more than the annual circulation in 1929. Reading and reference rooms have been crowded as never before.

MR. WOOLHISER: Mr. Milam, what kinds of books are more popular now than formerly?

MR. MILAM: The increase has been characterized by a demand for more books of educational value. Specifically, there is more demand now than at any time in a generation for facts and ideas on economic, social, and governmental questions. This is no doubt partly due to the intellectual and social unrest and partly to the fact that many excellent books and pamphlets have been published. I refer to such books as "Recovery," by Salter; "The New Deal," and others by Stuart Chase; "Look-

ing Forward," by Franklin D. Roosevelt.

#### PREPARING FOR FUTURE JOB

JUDGE WILDERMUTH: I happen to know also that there is a large use of technical material. I picked up a young man coming into town one morning with his arms full of books, and I noticed they were technical books. In response to my inquiry he said, "I am studying because I have nothing else to do. I am out of work. This is the way I have it figured out: when things open up there aren't going to be jobs enough to go around and I think they are going to take back the man that is best prepared, and I want to be prepared."

MR. MILAM: I want to say something more about the kinds of books people are reading. The Milwaukee Public Library recently made a study of its book circulation during the first four months of 1933 as compared with the circulation for the same months of 1929. The two groups of subjects which showed greatest advance were the social sciences with a gain of 112 per cent, and art and music with a gain of 180 per cent. And you are quite right, Judge, that there has been a big gain in the use of books on all vocational subjects.

JUDGE WILDERMUTH: I don't have to be convinced, Milam, that the library is doing important work, but I still think that library budgets must be reduced.

MR. MILAM: Two things must be said before we talk about reducing the library income. The first is, that there should be no reduction in any governmental service until actual wastes, if any exist, are eliminated. The second is, that the average library is called upon to do about 40 per cent more work for the public than it did three years ago.

MR. WOOLHISER: Assuming for the

moment that the waste in government has been eliminated and you face the problem of 10 per cent or 20 per cent reduction in income simply because that is all the money there is, what cuts do you think the library can make?

#### REDUCTION IN COSTS

MR. MILAM: I should examine the possibilities of reduction under three headings: general operating expenses; books and periodicals; and salaries. First, every possible economy should be made in supplies, heating, lighting, care of buildings, and other operating expenses. Your question has been answered in detail in "Current Problems in Public Library Finance," published by the American Library Association, and in a book entitled "How Cities Can Cut Costs," issued by the International City Managers' Association.

JUDGE WILDERMUTH: Isn't there a lot of unnecessary routine which might well be eliminated?

MR. MILAM: A certain amount of routine is necessary.

MR. WOOLHISER: I assume part of such routine is to protect public property, to avoid losing books.

MR. MILAM: Yes, it is important to know what books have been taken out and to see that they are brought back and made available for the next reader. However, we have not arrived at perfection in routines. Simplified charging methods have been tried with great success in the past few years, enabling librarians to handle a mounting circulation with no increase in staff. Other economies are being found in the routine of ordering and cataloging books and in all of the inside operations of the library. Under the pressure of necessity librarians will undoubtedly find other workable short-cuts.

JUDGE WILDERMUTH: Can you stop buying books for awhile?

MR. MILAM: I think that libraries can and should buy fewer titles and fewer copies of the latest popular novels. But it would be a serious mistake to discontinue buying books in general. In a reference room, for instance, an out-of-date book may be worse than useless because it gives misleading information. The reader of books on public questions and on vocations naturally wants the latest material and in the interest of intelligent citizenship he ought to have it. Moreover, replacements must be made as books wear out. In spite of constant attention books actually wear out—by thousands each year. Children's books have particularly heavy wear and tear.

MR. WOOLHISER: How important a part of the library's work is its work with children?

MR. MILAM: I can answer that in two ways. First, the circulation of books to children is about 40 per cent of the total. Second, the children's librarians have probably been more effective in their service—from an educational point of view—than have the librarians who serve the adults. Children's librarians know their books and the children. They do much to develop permanent habits of reading and good taste in the selection of books, and to broaden the outlook of the boys and girls.

#### HOW ABOUT FICTION?

JUDGE WILDERMUTH: Mr. Milam, would you stop buying new fiction altogether?

MR. MILAM: No. I should let readers depend largely on rental collections for current mystery and detective stories and others of a similar sort. But the library certainly ought not to discontinue its interest in literature as such, for it is the duty of the library to promote appreciation of literature—poetry, essays, dramas, and fiction—just as it is the duty of the museum to promote



appreciation of beauty in painting and sculpture. And I doubt whether the library has any higher duty than that of participating with other institutions in extending and strengthening appreciation of spiritual and cultural values.

However, if the necessary reductions cannot all be achieved in operating costs and the shortening of routine processes, the book fund will have to suffer.

JUDGE WILDERMUTH: How about reducing the hours of opening, especially in branch libraries, Mr. Milam?

MR. MILAM: Closing the library in the evening would produce the greatest saving but it is the library's busiest time and about the only time when working people can use it. A suggestion that all branches in Duluth be closed in the evening was vigorously and successfully protested by organized labor. If the hours are to be shortened the library should probably be closed in the mornings. In general, the hours of opening for each library should be adjusted to the needs of the particular community which it serves and the hours need not be the same in winter and summer.

MR. WOOLHISER: Is it not true that some libraries have gone further than necessary to make the borrowing of books easy? I refer especially to the establishment of small stations in corner drug stores, etc.

MR. MILAM: If these stations do little more than make it easy for patrons to borrow current fiction, then they ought to be closed in the interest of economy. As a matter of fact most stations of that sort have been closed and I doubt if they will ever reopen, for the library tends to put more and more emphasis on its educational service. There are other stations, in factories, for example, which perform a very important public function and which ought certainly to be continued.

#### THE SALARY PROBLEM

JUDGE WILDERMUTH: What about library salaries, Mr. Milam; have they been adjusted like the salaries of everybody else to the lower cost of living?

MR. WOOLHISER: If I may interrupt, Judge, we are now at the point which has given difficulty to all employers, both public and private. The largest item in municipal budgets is spent for wages and salaries and certainly if retrenchment is to be achieved some reductions must be made here. However, we must not lose sight of the fact that the rank and file of municipal workers did not share in the prosperity of the silk-shirt period. Most of them have had limited opportunities to build up an adequate reserve for emergencies and old age, and, because of the specialized character of their work, do not have as broad a market for their services as many workers in private industry.

JUDGE WILDERMUTH: Perhaps the cuts for public employees should not be in the same proportion as the cuts which most of us in private enterprises have taken, but shouldn't there be some flat cut which would at least give all of us the feeling that public employees are sharing the burdens of the depression?

MR. WOOLHISER: Anyone who has given a careful study to this matter is impressed by the fact that flat cuts in wages and salaries often work inexcusable hardships. A number of factors must be taken into consideration, such as length of service, increase in responsibilities without increase in pay, increased demands for specialized training. Many cities have found that substantial reductions in the wage and salary item of the budget can be made without undue hardships—by leaving vacancies unfilled, eliminating or shortening vacations, required leaves without pay, and by releasing assistants of clerical grade where the family has

other means of support. However, I think Mr. Milam will agree that where the cost of living has shown a definite downward trend, this fact must be recognized in adjusting the compensation of public employees.

MR. MILAM: The salaries of most library workers have been reduced. It seems to me that the important thing is that reductions should not be automatic. Salaries of librarians and all other public employees ought to be determined now and at all times in relation to the amount of education and special training required, the responsibility which is carried, the cost of living, and the salaries paid for other comparable positions.

MR. WOOLHISER: What about going on year after year paying rent for store-rooms for branch libraries? Would it not be economy in the long run to put up library buildings under the public works program of the Industrial Recovery Act?

#### FEDERAL AID FOR LIBRARIES

JUDGE WILDERMUTH: Under what circumstances may a library board obtain money for buildings?

MR. MILAM: The Act provides that for approved projects the federal government will make an outright gift of 30 per cent and will buy the bonds for the other 70 per cent. Now this would seem to be a good time for the construction of buildings actually needed as the costs are much less than they were a few years ago. Unless the rents paid are very low, it may be a good deal cheaper and better to build. The funds are available for extensions and repairs as well as for new buildings. I understand that anybody who wants to get in on this part of the New Deal will have to move fast.

MR. WOOLHISER: Mr. Milam, it seems to me we haven't discussed yet some of the most important ways of economizing. In government as a whole

probably the elimination of the spoils system would be the most productive of genuine economy. How can some of our cities expect to give a dollar's worth of value in municipal service for the tax dollar when pay-rolls are loaded with inefficient political appointees and contracts are awarded on the basis of political influence? I realize that this does not apply to libraries except in very rare cases, nor to most of the four hundred odd cities now operating under the council-manager plan, which are conducted as efficiently and economically as the best of private business enterprises. Your people are appointed because of their training and experience and the appointments are usually not interfered with by the party organizations. Isn't this the time for the citizen to demand that a similar policy shall guide the administration of all government units and that party organizations shall function on the strength of their principles and leadership rather than at the ultimate expense of the taxpayer? But aside from that, there are other important economies in government which probably apply to libraries and schools and social agencies as well as to other departments. What I have in mind can be stated in these three phrases:

1. Reorganizing the areas of government. This would include the elimination of townships, consolidation of school districts, and increasing the size of counties.

2. Reorganization of the functions of government. This applies particularly to the elimination of unnecessary departments or the consolidation of several activities in one department.

3. Centralized administration and purchasing.

#### REGROUPING LIBRARY AREAS

MR. MILAM: You are undoubtedly right, Mr. Woolhiser. The first of these is particularly applicable to the library



situation. We now have thousands of small libraries, many of which receive so little income that they cannot possibly serve adequately the needs of their communities. At the same time there are some 40,000,000 people in the United States who have no local public library service. Most of these people live in the rural areas. Apparently the only way out of this difficulty is to bring into existence libraries which will serve the whole county or even several counties and to merge into these larger library systems the struggling little libraries now in existence. Let me say at once that a county library does not mean a single library. It means a central library in the county seat with branches and stations in every neighborhood constantly supplied with fresh material from the central library.

JUDGE WILDERMUTH: Is such action as you propose in the direction of economy?

MR. MILAM: Yes, unit costs are lower in the larger systems and the quality of service is higher. It is a case of better service for the same money or the same service for less.

MR. WOOLHISER: Isn't there also a chance for economy in the elimination of duplications of library service? Is it necessary to have libraries and librarians in the public schools and also children's rooms and children's librarians in the public libraries?

MR. MILAM: Yes, Mr. Woolhiser, there is an opportunity for economy which many libraries have already effected. Coöperation between the public library and the public school makes possible the elimination of duplication and the provision of excellent service at very low cost. In many places this coöperation is so close that it amounts to a single administrative responsibility for both the school libraries and the children's rooms in public libraries. And it is possible to have a contract agree-

ment which safeguards the special interests of both institutions.

JUDGE WILDERMUTH: What about charging a fee for library service? Nobody seems to object to paying a fee for permission to play golf on a public golf course in a municipal park.

MR. WOOLHISER: You can't quite compare the privilege of playing golf with the service rendered by a public library. The library exists to provide the means of self-education. Education is the interest of the state, and the educational institutions—school, libraries, universities—are engaged in the process of helping people to become intelligent members of society. In other words, society has a stake in what the library does. It is interested in having the library's influence reach the largest number of people in the most effective way.

JUDGE WILDERMUTH: I still think that the cost of government should be reduced, but I realize that the work and problems of public institutions like the library make the job difficult. Mr. Woolhiser, you are a city manager and a student of local government. What is the answer to this whole complicated business?

#### CITIZEN COÖPERATION NEEDED

MR. WOOLHISER: There is just one answer so far as I know and that is more intelligent citizen participation in public affairs. If you want to reduce public expenditures or to get more for every dollar you spend, which amounts to the same thing, there has got to be a careful study of local governmental activities, personnel, and costs. In one city with which I am familiar the public library costs the average taxpayer about 45 cents per month, or little more than the cost of a good magazine; and the figures show that he and his family took out an average of four books a month, not to mention the use of the library for reference purposes. Simi-

larly, he received the benefits of police, fire, and health protection, lighting and maintenance of streets, waste disposal, and park and recreational facilities, for only a little more than \$4.00 per month, or about the amount of his electric light bill. Wouldn't it be more intelligent to make a similar analysis of each service rendered by our governmental agencies in comparison with the cost and usefulness of other services contributing to our standard of living, before blindly condemning all public services as extravagant or unnecessary?

No two communities have exactly the same problems or can satisfactorily adopt the same solution. Within the past few months there has come into existence a proposal for the organization of Citizens' Councils for Constructive Economy. The national committee on this subject, under the National Municipal League and with the cooperation of fifty nation-wide organizations, is the one which sponsors this program. The proposal is simply this: that in every community there be brought into existence a council of representatives of existing organizations such as the League of Women Voters,

Parent-Teacher Association, luncheon clubs, chambers of commerce, women's clubs and other similar groups, and the public boards representing schools, libraries, playgrounds, museums, etc. The Council's first task would be to find out how the government spends its money and to evaluate the various undertakings. Its second would be to advocate, first, the complete elimination of waste; and then the placing of emphasis of local governmental expenditures on those activities which are of most importance to the citizens as a whole. Do you think that such a program would meet with the approval of the public libraries?

MR. MILAM: Yes, library boards and librarians everywhere would, I think, welcome an investigation by such a Council and would endorse its proposal to adjust public expenditures to actual needs and possibilities. I agree that this is the one sure way to constructive economy. Libraries and all other public institutions should be compelled to operate with the utmost efficiency and economy, but the elimination of waste in all government should precede the curtailment of socially useful services.

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### REDUCING THE SCHOOL BUDGET

(Continued from Page 380)

the forward-looking citizens of the nation can we weather the current economic storm without seriously impairing important and even indispen-

sable public services. The need of the nation today is not for economy, but rather for constructive economy—an administration of the common interests of the people that will give the very largest service for the least expenditure of resources.



# Effect of Home Owners' Loan Act Upon Tax Delinquency

Large sums should flow into local treasuries as properties are refinanced

EUGENE GREIDER

*Director of Research, New Jersey Economic Council*

THE Home Owners' Loan Act of 1933 was approved by President Roosevelt June 13 and is about to commence operation with a fund of \$2,200,000,000 to be used for the relief of home owners who are in danger of losing their property.

What proportion of this fund will go to pay taxes and assessments now delinquent?

And to what extent will the operations of the Home Owners' Loan Corporation result in bringing about payment of delinquent taxes and assessments out of other funds indirectly released?

Under subsection (d) of section 4, the Act provides that the Home Owners' Loan Corporation may acquire mortgages on homes valued at \$20,000 or less, in exchange for its 4 per cent bonds (interest on which is guaranteed by the United States) and may advance cash to pay taxes and assessments, cost of repairs, and expenses of the transaction, not to exceed an aggregate of \$14,000, or 80 per cent of the value of the home, whichever is less.

The Home Owners' Loan Corporation takes a new first mortgage from the home owner for the total of bonds and cash so advanced, which bears interest at not more than 5 per cent. Payments of principal may be spread over fifteen years, and during the first three years the corporation cannot require any pay-

ment on principal, if the home owner is not in default respecting the other covenants of his mortgage.

## TAXES MUST BE PAID

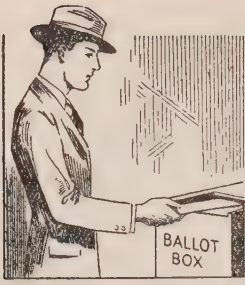
Practically speaking, the home owner can carry the mortgage by paying interest at 5 per cent and taxes subsequently levied. All taxes and assessments due or past due must be paid before the new mortgage is made and the corporation is authorized to advance cash for this purpose.

Under subsection (e) of section 4, the Corporation may make cash advances to owners of unmortgaged homes to pay taxes and assessments, and to provide for necessary maintenance and repairs, not in excess of 50 per cent of the value of the property.

For such advances the home owner will give a first mortgage, bearing interest at not more than 5 per cent, the principal repayable in installments over fifteen years, and no payment of principal to be required the first three years.

Under subsection (f) of section 4, the corporation may lend in cash, for the relief of home owners whose mortgagees will not accept the corporation's 4 per cent bonds, not more than 40 per cent of the value of the property, for the purpose of paying off the existing mortgage, taxes, and assessments due and necessary maintenance and repairs.

(Continued on Page 403)



# PROPORTIONAL REPRESENTATION

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EDITED BY GEORGE H. HALLETT, JR.

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## Continuing the Proportional Representation Review

**Presidential Amendment Reported Again.**—The constitutional amendment to apply the proportional principle to presidential elections sponsored by Congressman Clarence F. Lea of California, which was reported from committee in the closing hours of the 72nd Congress, was reported again unanimously near the close of the recent emergency session and will remain on the calendar for consideration at the regular session next fall. A similar amendment is being sponsored in the Senate by Senator George W. Norris of Nebraska.

The favorable report on the Lea amendment (73rd Congress, 1st Session, House of Representatives Report No. 262) was made on June 13 by Congressman Lozier of Missouri on behalf of the House Committee on Election of President, Vice-President, and Representatives in Congress. It makes a strong case for the amendment, drawn largely from the evidence presented to the committee by Mr. Lea, and follows closely Mr. Lozier's report of last March, which was quoted in this department for April. The only change made by the committee was the addition of a section requiring ratification within seven years of the date of submission.

The amendment, to quote the report, "would accomplish the following results:

"1. It would abolish the electoral college system and substitute therefor a direct vote for the election of President and Vice-President.

"2. The relative strength of the States in the election of a President would be retained as at present by preserving electoral votes for

each State equal to the whole number of its Senators and Representatives.

"3. Each candidate for President would receive such proportion of the electoral votes of the State as he received of the total popular vote therein.

"4. The candidate having the greatest number of electoral votes would be elected."

The arguments for this important proposal may be summarized as follows:<sup>1</sup>

1. It would make a reversal of the popular verdict less likely. Three times already a candidate has been defeated for president who polled more popular votes than his successful opponent, simply because all the votes cast for him in states which he failed to carry were disregarded. In the last presidential election it would have required a change of only 878,000 votes in certain close states, or 2.2 per cent of the total, to have elected Hoover president, though Roosevelt would still have had a popular plurality of over five million. On the other hand it would have required a change of only 116,000 votes to have deprived Hoover of all the electoral votes he did receive. A method of election under which the disposition of less than 3 per cent of the popular votes can make all the difference between no electoral votes and victory is obviously not to be trusted to elect the right man.

2. It would give every voter the satisfaction of helping his favorite candidate for president whether he voted with the majority in his state or not. In the last presidential

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<sup>1</sup>Adapted from an article in the *Proportional Representation Review* for April, 1930.



election a million and a quarter Democratic votes in Pennsylvania and nearly two million Republican votes in New York had no more effect on the result than so much waste paper.

3. It would thus stimulate voting and contribute to the political education of the electorate. When no one except a member of the locally dominant party can hope to accomplish anything by voting, it is not surprising that only half of the qualified voters usually register their votes and that campaigning is largely confined to a few doubtful states.

4. It would make the best qualified candidates of all parties politically available for nomination regardless of their places of residence. Under the present system a candidate who does not live in one of the few large doubtful states is usually not politically available because it is the polling of most votes in those states rather than of most votes in the whole country that decides the election. In the last fourteen presidential elections the Republican and Democratic parties have nominated for president or vice-president thirty-two citizens of New York, Indiana, and Ohio, and only twenty-four from all the rest of the country together.

5. It would remove the present tremendous incentives to fraud, promises of patronage, and excessive expenditures of money in the doubtful states with large blocks of electoral votes. How great these incentives are is indicated by the fact that on at least four occasions the change of less than a thousand votes in a single state would have elected a different president.

6. It would remove the device of personal electors, which is not only useless but dangerous. If any of the electors should for any reason fail to carry out the very specific duties now prescribed for them by the Constitution, or should vote contrary to their pledges, it might easily change the result. The electoral college system has actually been responsible for gravely serious controversies on several occasions. In 1856 the electors of Wisconsin were prevented from casting their votes on the prescribed day by a severe blizzard. In the famous Hayes-Tilden dispute the personal eligibility of one elector was a deciding factor. Surely in so important a matter it is unwise to take such risks unnecessarily.

**A Proposal for Episcopal Church Elections.**—The first steps have been taken to apply P. R. to the election of the four clergymen and four laymen which the Episcopal diocese of Long Island elects at its convention as its representatives in the General Convention of the Episcopal Church. The Rev. Bradford Young gave official notice at this year's convention of the diocese of an amendment with the object stated, which will be voted upon at the 1934 convention.—W. J. M.

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**P. R. Elections of the Church of England.**<sup>2</sup>—Proportional representation has been used for the elections of the House of Laity and the House of Clergy of the Church of England since 1919 and 1921 respectively. After this ample opportunity to appraise the benefits of the system a new application of the principle has now been made. P. R. has been prescribed for the election of lay and clerical members of the Church of England's newly created Diocesan Boards of Patronage. The *Church Times* explains: "In the circumstances of the English Church, it is desirable that the principal sections of opinion should be brought into coöperation. This is what is at the back of the election by proportional representation."

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**P. R. Bill for British Local Elections.**<sup>2</sup>—

The "Local Elections (P. R.) Bill" of the British P. R. Society, to permit municipalities to adopt the Hare system of P. R. by local vote, which has passed the House of Lords in three successive years and been endorsed by no less than eighty municipal councils, was introduced this year in the House of Commons by Mr. Robert Bernays, Liberal. Before introduction it had been examined by the Ministry of Health and amended in accordance with the Ministry's suggestions. The bill came up for consideration on February 24, when Mr. Bernays' motion that it be read a second time was

<sup>2</sup>For this and other news about P. R. developments abroad in this issue we are indebted to the Proportional Representation Society of Great Britain, 82 Victoria Street, London, S.W.1, whose report for the year May 1932-April 1933, entitled "Parliamentary Government and Proportional Representation," we commend as a masterly review of the present critical world situation with regard to representative government.

seconded by Sir William Wayland, Conservative. As usual, members of all political parties were prepared to support the measure, but the strictly limited time allotted to the consideration of private members' bills was not on this occasion sufficient to permit debate or a vote.

The British P. R. Society has issued a new leaflet (P. R. Leaflet No. 30) which gives very striking examples of the need for P. R. in local elections and ends with a recommendation of the London County Council "that, in the opinion of the Council, it is desirable that local authorities should be empowered to adopt proportional representation for their elections."

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**A Conservative Proposal for the House of Lords.**—"In Great Britain, changes in the constitution and powers of the House of Lords were proposed by an important private committee, consisting of Conservative members of both Houses of Parliament. This committee recommended that the House should mainly consist of 150 members elected by P. R. by the hereditary Peerage from

their own number, and 150 appointed from outside. One of the suggestions made in respect of the outside element was that these 150 members should be elected by P. R. by members of county and county borough councils grouped in constituencies. The use of P. R. was recommended on the ground that it would give a fairer result than any other system."—Report of the British P. R. Society for 1932-33.

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**P. R. Upheld in Tasmania.**<sup>2</sup>—The province of Tasmania, which since 1907 has elected its House of Assembly by the Hare system of P. R. in a very complicated<sup>3</sup> and exact form, has recently given the system a fresh endorsement. Last fall the Nationalist Government introduced a "Constitution Amendment Bill" proposing, among other changes, the election of the House of Assembly by single-member districts. This change was defeated in the House committee of the whole on November 23 by 12 votes to 10, 4 Nationalist members joining the Labour opposition in support of P. R.

## THE GERMAN REPUBLIC, IN MEMORIAM

AN EDITORIAL

Though at this writing no official action has apparently been taken by the Nazi government of Germany to abrogate the P. R. provisions of the Weimar constitution, the expulsion from the Reichstag of the Communist, Social Democratic, State Party (Democratic), and Bavarian Peoples' Party members and the "voluntary" dissolution of the Nationalist and Centre (Catholic) Parties remove the last vestige of doubt that Germany must for the time being be removed from the list of countries using P. R. The representation of all elements provided by even a party list system of P. R. is of course the very antithesis of the Hitler ideal.

The step-by-step process by which the Nazi minority was arbitrarily transformed into the entire Reichstag illustrates dramatically a fundamental but little-recognized truth—that the denial of minority representation means the denial of majority rule. At the last P. R. elections—held, be it remembered, as recently as March 5 of this year—the Nazis polled not more than 44 per cent of the votes and elected 44 per cent of the Reichstag

members. The 8 per cent vote and representation of their former foes the Nationalists, only very recently allied with them for practical reasons, gave the new government a bare majority. The participation of the more moderate Nationalist Party was supposed to keep the Nazis in check and could have done so had the representative character and supreme authority of the Reichstag been preserved.

The fatal mistake was made when the Nationalists and others agreed to the exclusion of the large Communist minority from their share of representation. What had been a minority of the whole electorate and of its accurate reproduction in miniature, the Reichstag, became at once an absolute majority of the part that was left. Other parties continued to function only on sufferance of this new artificial majority and it was just a question of time before even the Nationalists,

<sup>3</sup>The complications do not affect the voter, who simply expresses his order of preference by numbers (1, 2, 3, etc.) as in P. R. elections in this country.



who had made the Hitler government possible, were forced to disband. Thus the denial of representation to even the most radical and despised minority put an end to majority rule and forced the whole non-Nazi majority out of political existence.

Of course majority rule is just as effectively defeated, with consequences somewhat less dire but serious enough, in some of our own governments. Representation here is denied to minorities not by edict but by the election system. A majority of what is left is not a majority of the whole electorate. If a majority of the whole electorate were required to govern, how many spoils machines would continue to function?

It is estimated that even Tammany Hall does not command the votes of more than a quarter of the electorate whom it governs in local matters and "represents" in state and national affairs. Only the virtually complete elimination of independent Democrats, Republicans, and Socialists by due process of primary and final elections gives it its Hitler-like control. Hence the insistent demand for proportional representation in New York City.

For those who are interested in the success of democratic institutions the big lesson of recent events in Germany is that minority representation is not just something mildly desirable—it is the *sine qua non* of majority rule. If representation is denied even to the most exasperating of political opponents, it may react against values that a majority holds most dear. The only safe attitude is that of the Social Democratic Party of Lower Austria, which at a meeting of its provincial executive and deputies on June 21 denounced Hitler and the Nazis as "the mortal enemies of democracy and the working class" but resolved nevertheless:

"That in our view it is not legitimate, on the basis of the Government's order prohibiting all activities of the National Socialist Party, to make it impossible for the deputies belonging to that party in the provincial parliament to carry out their parliamentary duties. According to our view of the legal situation, neither the federal nor the provincial constitution gives the Government the right to forbid freely elected deputies, mandated by the people itself, to carry out their mandates, and thus, by the mere issuing of an order, to modify the composition of the

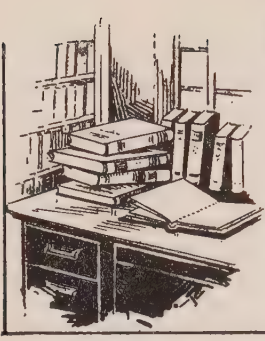
parliamentary bodies elected by the people and transform parliamentary minorities into majorities. We reject such a method of procedure."<sup>4</sup>

During the fourteen years that P. R. was in effect in Germany the country unquestionably profited by the full representation which the election system assured to even the smaller groups of opinion, some of which supplied such world statesmen as Rathenau (Democrat) and Stresemann (Peoples' Party). In the face of seemingly insurmountable difficulties, the nation staged a recovery from the war that has made it in some respects the best equipped nation in Europe. In international affairs, thanks entirely to representatives of the parties that have now been outlawed, it won an increasing measure of respect and recognition and secured the early withdrawal of troops from the Rhineland, successive reductions in reparations, and a permanent seat in the Council of the League of Nations. Admitting all the difficulties of democratic government in an abnormally complicated situation, this is no record of which to be ashamed.

P. R. preserved the Republic on more than one occasion before the rise of the Nazis, when the issue between monarchist and constitutional parties was so close that the normal distortion of a "majority" system of election might well have upset the balance. It kept the Nazis out of power in two elections when their preponderance in numbers over any other single party over most of the country would have surely given them a fictitious majority in a plurality-elected Reichstag. And even in the war atmosphere of last March, with many of the candidates in jail or in hiding and their journals of opinion suspended, it gave Hitler a mandate to govern only in such ways as the more moderate Nationalists might approve.

Overwhelmed not by votes but by craft and by force of arms, representative government in Germany is no more. Its going has sacrificed for Germany at one stroke much of the world's hard-won good will, without which no nation can prosper. There is nothing in the record thus far to recommend for other countries anything but the fullest measure of true representation.

<sup>4</sup>From the International Information service of the Labour and Socialist International, Zürich.



## RECENT BOOKS REVIEWED

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EDITED BY EDNA TRULL

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**Local Government in Many Lands.** By G. Montagu Harris. Westminster, P. S. King & Son Ltd., 1933. 405 pp. 15 s.

In this second edition of his volume, the first of which appeared in 1925, Mr. Harris has, primarily on the basis of the papers prepared for the 1929 and 1932 meetings of the International Congress of Local Authorities, brought down to date and expanded his excellent summary of local government structure in twenty-six countries and in the British overseas dominions.

Such an ambitious project must of necessity tread lightly. However, Mr. Harris' facts are accurate, and except for a perhaps pardonable bent, in his "Summary and Review," to cheer lustily for dear old England, he has no particular prejudices to vend.

It would be impossible in a short review of a book which is so essentially a tabulation of what one distinguished scholar is fond of referring to as "damned dirty little facts" to enter into a discussion of the context. The book must be considered for what it is—a sort of axis around which much of the activity of the International Union of Local Authorities, whose moving spirit Mr. Harris is, revolves. Viewed in connection with "Tablettes Documentaires Municipales" and other publications of this organization, Mr. Harris' adjurance of documentation and his general canonical ring does not come amiss.

Mr. Harris' book is, in sort, a reference work with the footnotes omitted. As such it is a local government publication of the first order.

ROWLAND EGGER.

**The Tax Situation in Michigan.** By Harcourt L. Caverly. Ann Arbor, Michigan Municipal League, 1933. 66 pp. \$1.00

It has long been evident to students of the Michigan tax situation that a complete revision of the tax system is necessary. The property tax was already breaking under the strain upon it when the fifteen mill tax limit amendment was passed. This requires wide changes in procedure and perhaps in the general character of the tax system. For some years a group at the University of Michigan has been collecting state reports and other data essential to a study of the taxes in the state. Professor Caverly presents here a clear and simple analysis of state taxes and finance on the basis of this collection, offering factual rather than critical material.

The volume is divided into six sections, well supplied with invaluable tables and charts. Complete comparable figures are given on assessed valuations, tax levies, tax collections, revenues, expenditures, for state and local governments and school districts. The present Michigan revenue system is described as to source, method of collection, and distribution. An enlightening chapter on the fifteen mill tax limitation enacted by constitutional amendment last fall, suggests the numerous problems which will arise in the course of its operation and points out possible effects. A series of charts, maps, and tables are included to show facts about non-property tax revenues in other states.

As Professor Caverly states, a serious obstacle in the way of the enactment of satisfactory remedial measures in Michigan is the



lack of accurate, comprehensive, and analytical financial data. This he, encouraged by his colleagues at the University of Michigan and the Michigan Municipal League, has undertaken to supply in limited space. He has succeeded admirably.

E. T.

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**Some Observations on Municipal Practices in European Cities.** By Donald C. Stone and Alice B. Stone. Chicago, The International City Managers' Association, 1932. 158 pp. \$1.00.

The memoirs of the American delegation to the London meeting of the International Union of Local Authorities continue to come in. Mrs. and Mr. Stone present in this report a remarkably clear analysis of some of the leading topics of local government discussion from the viewpoint of European experience. The study is a series of papers on selected topics. Much of the material relates to England, but the major movements in Continental local administration are also touched upon.

The study reflects in large measure the problems with which Mr. Stone has been concerned in the United States, although in the initial part, in which the authors deal with general organization and personnel, they lapse at times into political science. The main body of the report, however, is concerned with such matters as uniform records, cost accounting, public cleansing, public works, etc.

In the aggregate, the productivity of this expedition suggests that local government generally is again deeply in the debt of the Spelman Fund, patron of the junket, and that the experiment will perhaps bear repetition.

ROWLAND EGGER.

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**Stop That Smoke!** By Henry Obermeyer. New York, Harper and Brothers, 1933. 289 pp. \$2.50.

It is always rather difficult to convince the public of the smoke evil. City dwellers seem to accept dirt with more or less resignation, and city councils have been slow to pass measures regulating this subject, or enforcing its regulation, while public opinion lagged so far behind. Indeed the very facts which have commonly been used to tell of the smoke peril are so overwhelming as to seem ex-

aggerated. Mr. Obermeyer has a complete collection of the evils of air pollution, and presents them effectively. The fact that all the soot deposited in American cities in one year, would, if concentrated in one average size city, bury it under twenty-one feet of dirt, is insignificant, perhaps, beside its corollary that "the progress of medical science has been offset by an increase in respiratory and other ailments directly due to dirty air" since dirty air diseases are killing 60 per cent more people in urban areas than the infectious diseases which they have displaced. The total of America's smoke bill is estimated at \$6,850,000 a day—through waste and spoilage. After marshaling the facts on the dangers of smoke, described perhaps by one of his own chapter headings, "a problem becomes a peril," the author considers the methods of smoke prevention. Practical suggestions on fuels and firing, furnace construction and smoke consuming devices are given, and the usual examples of the excellent results obtained in certain cities. The author stresses the necessity of reasonable ordinances governing smoke. It is unfortunate that in the immediate past some of the progress described by Mr. Obermeyer has lost ground because of serious curtailments of appropriations for smoke abatement. There is need of continuous effort at educating citizens as to the immeasurable benefits their taxes buy for them. Mr. Obermeyer offers in interesting style a book which should be of great aid in arousing general interest in smoke abatement which will result in a willingness to make the initial outlays which will result in ultimate economy for every member of the community as well as the heavy burner of fuel.

E. T.

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**Control of Local Finance Through Taxpayers' Associations and Centralized Administration.** By Claude R. Tharp. Indianapolis, Ford Publishing Company, 1933. 84 pp. \$1.00.

This booklet presents a brief account of the activities of some of the more successful state taxpayers' associations and a discussion of the various methods which are in use to control and limit the expenditures of local governments. The Indiana plan of state control, essentially a plan which gives the state board of tax commissioners final jurisdiction

over tax rates and bond issues as well as over assessments, is singled out for special attention and praise.

Mr. Tharp points out that tax rate and debt limits fixed by constitutions or statutes have proved highly unsatisfactory, and continues by outlining the following essentials to an effective plan for state control over local finance: "(1) an approach to the problem from the standpoint of expenditures as related to the local unit's ability to pay, (2) a mandatory budgetary system applicable to every governmental unit of the state, (3) a state supervised unified accounting system, (4) a mandatory state audit of the accounts of local governments, (5) a local board of review and a state board of review to which appeal may be made pertaining to local finance, and (6) an aroused and informed citizenship cooperating with public officials through state-wide taxpayers' associations."

The Indiana plan embodies all of these "essentials." However, the reviewer can hardly agree that "an ideal in control of local finance is being realized in practice probably to an unprecedented degree in Indiana." Budgeting and accounting are, of course, indispensable tools for the public administrator, and a state government can do a great deal to help local units in these matters. However, local government in Indiana, and in a good many other states, offers convincing evidence that the creation of a state board with mandatory powers to supervise local accounting and budgetary procedure does not automatically accomplish the ends in view. In fact, the general standard of municipal accounting is on a higher plane in some states where state authorities have merely advisory powers than in other states where state boards have compulsory and mandatory jurisdiction.

The review of local budgets by a state board with power to eliminate from the budget any proposed expenditure presents this question: Is a state board of tax commissioners a logical body to determine how much money shall be spent in providing various community services?

A tax board is primarily concerned with the collection of revenues and unless the board is sadistically inclined it is very likely to be unduly sympathetic towards the taxpayer. Furthermore, in assessing and collecting inheritance and railroad and public utility taxes and in reviewing assessments brought up on

appeal from county and local assessors and other authorities, the state tax board is chiefly in contact with the large taxpayer.

State control of local expenditures, of course, presents a different question than does the assumption by the state of complete responsibility for some local function now deemed to be of state-wide significance, such as maintenance of roads or schools. This type of state centralization is not considered in the present volume.

Mr. Tharp concludes his report very soundly by saying: "It is misguided effort that centers all the attention on the general trend of rising costs while the type of service for which (the tax) money is spent is neglected." However, there is some reason to believe that the Indiana plan of state control does center attention upon "the tax burden" and does practically nothing to improve services or to increase the efficiency with which municipalities perform their varied functions.

ROBERT M. PAIGE.

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**Report of the Executive Committee of the Civil Service Reform Association. Treasurer's Report.** New York, Civil Service Reform Association, 1933. 32 pp.

Fifty years after the adoption of the first state civil service reform law, the Association is still actively engaged in improving the public service. The record of its year's work is interesting—and if discouraging it is so not because of lack of results but of distance still to go. The continued efforts of the Association to appraise the public of important weaknesses in our system are highly valued, and it is because of their recurrence that one is not surprised to read press reports that even postmasterships may be put on a merit basis.

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**The Airport Approach.** By Charles C. Rohlfling. New York, *Air Law Review*, 1933. 9 pp.

In an article in the *Air Law Review* for April, Dr. Rohlfling describes the importance of the unobstructed approach to airports, and its minimum requirements. He raises legal questions, cites court decisions, and quotes a number of ordinances enacted for the protection of municipal airports. Reprints of the article may be secured from Dr. Rohlfling at the University of Pennsylvania.



# GOVERNMENTAL RESEARCH ASSOCIATION NOTES

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EDITED BY ROBERT M. PAIGE

Secretary-Treasurer, G. R. A.

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## **Boston Municipal Research Bureau.—**

An analysis of the city budget for 1933 was issued by the Bureau on June 15. This report presents a tabular comparison of expenditures by years, by departments, and by objects. The 1933 budget, in spite of an increase in relief expenditures, is 9.6 per cent, or nearly four million dollars, less than the 1932 budget. Exclusive of relief expenditures, the 1933 budget is down to approximately the 1925 level. However, no reorganization or consolidation of departments have been effected although the Bureau points out that large savings could be attained by such changes.

Herman C. Loeffler, formerly a member of the staff of the St. Louis Bureau of Governmental Research, has been appointed director of the Boston Bureau, succeeding E. J. Brehaut, who returns to his position as civic secretary of the Boston Chamber of Commerce. Sherman S. Sheppard is the assistant director of the Bureau.

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**Civic Research Institute.**—A complete analysis of the debt charges which Kansas City and Jackson County will have to pay in the next ten years has been prepared by the Institute. On the basis of this analysis the tax rates of the next ten years for interest and retirement of the debt are forecast and the total tax rates estimated.

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## **Minneapolis Taxpayers Association.—**

The Association has embarked upon a plan to get more intelligent and more widespread

interest in the city budget for the coming fiscal year. Early in May fifty-four civic organizations were invited to designate members to serve as representatives on a Council of Civic Clubs. This council has since held weekly meetings at which time the budget requests of the various departments are reviewed in detail. These meetings were unusually interesting and instructive because of the fact that the various municipal departments submitted their detailed replies to a questionnaire prepared by the Taxpayers Association. This questionnaire made the following requests:

(1) List the appropriations under which your department operated in 1929, 1932, and 1933. (2) What services were *eliminated* between June 1929, and June 1933? (3) What services have you *curtailed* between June 1929, and June 1933? (4) What services would you eliminate or curtail if compelled to further reduce? Please state in order of preference. (5) State number of persons employed in your department in June 1929, June 1932, June 1933. (6) If the number in June 1933 is less than prior year, state the general nature of positions abolished and number in each. (7) If the above shows a reduction, state the general effect. Was it accomplished by eliminating or curtailing service, or by changes which secured more work from fewer people? (8) What per cent change in pay scales pertained in your department from June 1929 to June 1932? From June 1932 to June 1933? (9) Are any other changes imminent in 1933? (10) What conclusions do you care to offer as to the effect of the reduced cost under which your department is now operating?

Representatives of the various departments



appeared before the council to amplify and defend their answers to these questions. The Board of Park Commissioners was the first to submit its reply. This reply was in the form of a highly illuminating mimeographed document of fourteen pages, which is a strong statement of the case for parks. If other departments make equally comprehensive replies the citizens of Minneapolis will be exceptionally well prepared to deal with the problems of economy and retrenchment in their local government.

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**Peoples Conference on Government.**—Kenneth O. Warner of the University of Arkansas has been selected as chairman of the Conference to serve during the ensuing year. The Peoples Conference on Government holds an annual meeting for discussion and consideration of all matters pertaining to Arkansas government. It also conducts investigations and surveys. During the coming year measures for the reorganization of state and county government will be studied and constructive proposals formulated. An attempt will also be made to deal constructively with the difficulties and problems of the state's school system. A committee of the leading educational thinkers and technicians in Arkansas will be appointed to carry on a comprehensive program of research in these problems. The Peoples Conference at its recent annual meeting resolved to lend its organizational facilities to communities desiring to form Citizens' Councils on Constructive Economy.

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**Philadelphia Bureau of Municipal Research.**—The city finished the year 1932 with a deficit of approximately \$15,000,000, a very creditable showing in view of the fact that it began the year with a deficit of \$17,000,000. The Bureau urges that the city reduce this deficit as rapidly as possible, and in addition that overdue obligations, whether represented by warrants, audited vouchers, mandamuses, or deficiency bills, be reduced to a minimum by suitably arranged loans.

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**Minnesota Taxpayers Association.**—A strong statement on the tax delinquency situation has been issued by the Association. The statement points out that while "assuredly

there is plenty of room for more tax reduction in the state and nation, it must be conceded that many local officials have been striving earnestly to cut down levies and in numerous cases they have made substantial reductions. . . . The credit of the municipality can be maintained only through tax collections. Taxes must be reduced all along the line but not paying them will reverse the effect."

The Association also reports that townships of Minnesota have reduced levies 25.21 per cent in 1932 over levies of the previous year. School districts reduced levies 11.49 per cent, counties 10.06 per cent, the state 9.12 per cent, and cities and villages 4.72 per cent. The total general property tax levy in the state was reduced \$12,000,000, or about 10 per cent.

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**Tennessee Taxpayers Association.**—The appropriation bill passed by the state legislature in March provides for annual expenditures from the general fund of about \$13,000,000. As expenditures for the previous year were about \$20,500,000, a reduction of some 35 per cent was achieved. The Tennessee Taxpayers Association assisted the ways and means committee in drafting the appropriation bill after extensive analysis of expenditures and a thorough canvass of possibilities for economy. The recess finance ways and means committee has expressed its appreciation of the work of the association's staff in a letter from which the following is quoted:

"Without the work you did months before we even met, in the preparation of your financial studies of the state, and without the full coöperation of your staff throughout the recess, we could not have accomplished our task. You were worth thousands of dollars to us and to the state."

William R. Pouder, former city manager of Kingsport, Tennessee, and former consulting engineer, is the secretary of the Association.

A survey of Campbell County (population 26,000) has been completed by the Tennessee Taxpayers Association. Detailed recommendations are made for improving the accounting, budgeting, and other financial procedures. Centralized purchasing, the county manager form of government, and abolition of the fee system are some of the other recommendations.

**Schenectady Bureau of Municipal Research.**

—Abbett Pulliam, the managing director of the Schenectady Bureau, has completed an analysis of the 1933 city budget and a survey of the government of Amsterdam, New York. This report was prepared for the Amsterdam Taxpayers' Association to furnish the factual basis upon which the Association could formulate its recommendations for a reduction in taxes. The report includes an extensive assembly of cost comparisons with other cities. The per capita departmental operating costs of Amsterdam are compared with the average departmental costs of all United States cities between 30,000 and 40,000 in population; also Amsterdam costs are compared with the costs of other New York State cities and with the average costs in Ohio, Massachusetts, and Pennsylvania cities of comparable size. The bonded indebtedness is similarly compared. The Taxpayers' Association, on the basis of this report, recommends a series of reductions in appropriations totaling \$133,000. The 1933 budget is \$489,000.

A study of the welfare relief situation in Schenectady has been undertaken and the first report published. Some recommendations are made for improvement in the record system and accounting but on the whole the Bureau was favorably impressed with the administration of relief in the city and county. The administration of veterans' relief, however, is criticized, and in a letter to the mayor, the Bureau suggests that a complete investigation and audit should be made of the veterans' relief.

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**St. Louis Bureau of Municipal Research.**

—The city budget for 1933-34, exclusive of expenditures for public works and relief, will be 11.8 per cent under the budget of 1932-33; and 23.3 per cent under the budget 1931-32. The Bureau coöperated closely with the board of estimate and with the new budget director appointed under the authority of a recent ordinance in the preparation of the budget, and reports that it is "difficult to see where further cuts of consequence could be made in appropriations for departments under city control, except by the abandonment or serious curtailment of necessary services." Because of a 20 per cent reduction in assessed valua-

tions in the last two years it is estimated that tax delinquencies will be 24 per cent less than in 1931-32. The Bureau states that there is good reason to believe that St. Louis officials will be able to maintain throughout the year "the excellent reputation of the city in fiscal and financial affairs."

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**Taxpayers League of St. Louis County (Duluth, Minnesota).**

—An interesting and valuable report comparing the activities of the St. Louis County Poor Commission with the administration of relief in St. Paul, Minneapolis, and Superior (Wisconsin) reaches the encouraging conclusion that there has been a rapid and progressive improvement in the administration of relief in St. Louis County, and that there are indications that this improvement will continue. Branch agencies have been established to relieve congestion at the central office; a master file of all cases handled has been instituted; an improved type of relief order and a satisfactory accounting system have been developed; and an effective working arrangement with private welfare agencies has been established. Criticisms of the relief administration and suggestions for further improvements are based on the need for thoroughly trained welfare workers in supervisory and subordinate positions and the need for more thorough investigation of every applicant's condition. The salary schedule is said to be inadequate to secure competent investigators. Prices paid for groceries, milk, and fuel by the St. Louis County Commission are believed to be higher than those paid in the other cities because of the absence of competitive bidding and a carefully thought out purchasing policy. It is recommended that a standard order system comparable to the system in successful operation in St. Paul, be adopted.

The amount of relief dispensed is based upon a schedule established during the period when the Commission was receiving funds from R.F.C. It provides a maximum of \$25 per month per family, though additional allowances may be made for rent and fuel. In 1932 the relief dispensed by both public and private agencies for groceries, fuel, rent and clothing, amounted to \$5.29 per capita in Minneapolis; \$5.80 per capita in Duluth; and \$6.95 per capita in Superior.

*Columbia University  
The Bernard Baruch College  
The City College of New York*

**Providence Governmental Research Bureau.**—A comprehensive survey of the Providence public schools has been completed. The increase in expenditures for education is exhaustively analyzed and the main divisions of school costs—general control, instruction, operation of plant, maintenance of plant, coordinate activities, and fixed charges—are discussed in detail. The following, in the opinion of the Bureau, are the more important deficiencies of the school system: (1) too many major executive positions; (2) too many subordinate executives; (3) too many servicing employees; (4) too many small classes; (5) too many expensive classes; (6) no adequate budgetary procedure; (7) no adequate cost accounting; (8) no adequate control of expenditures for instructional and janitorial supplies; (9) no adequate control over miscellaneous expenditures, such as light, heat, telephones, etc. Detailed recommendations for correcting these and other deficiencies are made. The report is eminently fair and impartial, giving full credit to the school system for its numerous excellencies.

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**Civic Club of Allegheny County.**—The annual report of the Club reveals that its committees have been active along highly constructive lines. Most of the important bills before the Pennsylvania legislature during the 1933 session were carefully considered. Bills restricting personal assistance to voters, providing for permanent registration of voters, and providing for city manager form of government were vigorously supported. Old age pensions, minimum wages for women, civil service, ratification of the national child labor amendment, and abolition of the office of county delinquent tax collector were also formally endorsed. Opposition to the threatened substitution of an elective for the present appointive boards of education was mobilized.

The Civic Club and the University of Pittsburgh laid plans for the establishment at the University of a police school and crime detection laboratory. These plans were approved by the director of the Pittsburgh de-

partment of public safety but the curtailment of the budget made it necessary to postpone action for the time being.

**National League of Women Voters: Department of Efficiency in Government.**—This department of the National League of Women Voters has as its program for 1932-34, the support of the following measures: permanent registration, direct primary, short ballot, reorganization of the administrative branch of the state government, the city manager plan, reorganization of county government, merit system, and executive budget. In addition to formally endorsing and supporting the above measures the League recommends that its constituent local groups study registration laws, proportional representation, federal aid, taxation, and other specific problems.

The League has proved to be a most effective agency for the dissemination of sound ideas about government. The governmental research movement has in the League of Women Voters a powerful ally for the accomplishment of the things for which it stands.

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**Utah Taxpayers Association.**—An analysis of the cost of assessing and collecting taxes has been completed. The average cost in 1931 is shown to be 1.38 per cent of the amount collected. The assessor's office in Utah County spent 1.05 per cent of the amount collected; the assessor of Daggett County expended 6.03 per cent.

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**Citizens' Advisory Finance Committee.**—A survey of the financial departments of the city of Newark is being conducted by the Committee at the request of Reginald C. F. Parnell, newly elected commissioner of revenue and finance.

A study of cleaning costs in the City Hall has resulted in a reorganization of the cleaning force under the direction of A. F. Minisi, director of parks and public property.

The city paid July 1 pay-rolls on July 14, but at this writing July 15 pay-rolls have not been paid. Debt costs are being met promptly and an arrangement whereby debt service will be met for the balance of the year has been worked out by the Citizens' Advisory Finance Committee and accepted by city officials.





## NOTES AND EVENTS

**Conference on Municipal Finance.**—On July 21, 22, and 23, a group of public officials, governmental researchers, investment bankers, and other experts in public finance and taxation met in Chicago for a series of round table discussions on municipal finance. Many problems in this field were considered including the extent of municipal defaults, adjustment of municipal debts, short term loans, security of public deposits, tax delinquency, and the distribution of revenues and functions of government. The Conference was sponsored by the Public Administration Clearing House, Municipal Finance Officers' Association, American Municipal Association, United States Conference of Mayors, and the University of Chicago.

Attendance was by invitation, and an effort was made to have the gathering representative of various points of view and various sections of the country. The following summary of the proceedings was prepared by chairman Louis Brownlow at the direction of the Conference:

The Conference accepted the reports filed by its three committees, one of which considered the problem of municipal debts, another that of tax delinquency, and the third that of the distribution of revenues and functions among the several levels of government.

Only one resolution was adopted. Based upon the report of the committee on distribution of revenues and functions, the resolution read:

"We hereby recommend that the President of the United States and the Congress create a federal commission to be composed of representatives of the federal government, of the states, and of the local units with appropriate technical advisers and staff, for the following purposes:

"(1) to examine the whole existing struc-

ture of taxes and revenues, national, state, and local; the extent of unnecessary overlapping taxation; the appropriateness of the present division of functions of government; and

"(2) to suggest such rearrangements and reasonable interrelation of the functions and taxes as the present-day facts may demand."

After accepting the report of the committee on municipal debts, the Conference approved in principle three recommendations with respect to the municipal debt problem:

1. That with respect to short-term borrowing in anticipation of taxes that every effort be made to synchronize the taxing year with the fiscal year so as to do away with the necessity of such temporary borrowing, and that other methods, such as installment collection of taxes, be introduced to reduce the borrowing needs and relieve the burden on the taxpayer.

2. That legislation be sought to place self-liquidating short-term municipal obligations on more advantageous terms in dealing with the federal reserve system and its member banks.

3. That with respect to long-term debt, in those relatively few cases where no other remedy is available, legal machinery should be provided by federal legislation for the emergency, which will enable local political subdivisions of government under the supervision of the courts and with adequate safeguards to arrange for the composition of their debt settlements with the holders of their obligations.

Based upon the report of the committee on tax delinquency, the Conference recommended that the remedy for the present situation be sought by pursuing three main lines of action:

1. By more intelligent and forceful administration of the existing tax laws.



2. By discouraging the trend, observable in some states, to enact legislation, indiscriminate in character, to extend the time of paying taxes, and to reduce or waive interest and penalties; practices tending to postpone payment of taxes even by those who have the funds and who otherwise would be willing to pay promptly. Tax collection officials, however, could well afford to enlist the assistance of public welfare agencies in determining the necessity for adjustment in specific cases.

3. By clearer and more understandable reporting of the activities of government and organized efforts to improve the spirit of co-operation among the taxpayers.

It was not the purpose of the Conference to make detailed recommendations concerning methods of procedure to carry these principles into effect, on account of the fact that the situation is so different in the several states.

A list of the participants in the Conference follows:

Carter W. Atkins, director, Bureau of Municipal Research, St. Louis; Frank W. Bane, director, American Public Welfare Association, Chicago; Paul V. Betters, executive director, American Municipal Association, Chicago; Frederick L. Bird, director of municipal research, Dun & Bradstreet, Inc., N. Y. C.; Louis Brownlow, director, Public Administration Clearing House, Chicago; Carl H. Chatters, executive director, Municipal Finance Officers' Association, Chicago; Philip H. Cornick, Institute of Public Administration, New York City; Walter R. Darby, state auditor and commissioner of municipal accounts of the state of New Jersey, Trenton; E. F. Dunstan, Bankers Trust Company, chairman, Municipal Securities Committee of the Investment Bankers Association, N. Y. C.; C. A. Dykstra, City Manager, Cincinnati; Frank J. Flanagan, finance committee staff, City of Chicago; L. Arnold Frye, attorney, Hawkins, Delafield and Longfellow, N. Y. C.; M. L. Fuller, city auditor, New Smyrna, Florida; Hubert R. Gallagher, research consultant, American Legislators' Association, Chicago; A. R. Hutton, Northwestern University; Welles Gray, United States Chamber of Commerce, Washington, D. C.; Starke M. Grogan, chief statistician, Bureau of the Census, Washington, D. C.; Luther Gulick, director, Institute of Public Administration, N. Y. C.; Earl E. Hagerman, director of finance, City of Dayton.

W. O. Harris, staff accountant, Municipal Finance Officers' Association, Chicago; William B. Harrison, Mayor, Louisville, Kentucky; Henry Hart, executive vice president First of Michigan Corporation, former chairman of the Municipal Securities Committee of the Investment Bankers Association, Detroit; Clarence Heer, University of North Carolina, Chapel Hill, N. C., technical consultant for the Interstate Commission on Conflicting Taxation; Fred K. Hoehler, director of welfare for the City of Cincinnati and Hamilton County, Ohio, president, The American Public Welfare Association; Oscar F. Holcombe, Mayor, Houston, Texas; Robert Maynard Hutchins, president, The University of Chicago; Jens P. Jensen, University of Kansas, Lawrence; Howard P. Jones, secretary of the National Municipal League, N. Y. C.; L. G. King, National Casualty Company—representing Michigan insurance companies—Detroit; Glen Leet, American Municipal Association,

Chicago; Burdette Lewis, field agent, American Public Welfare Association, Chicago; Simeon E. Leland, state tax commissioner of Illinois, University of Chicago; John S. Linen, commissioner of taxation and corporations, State of Massachusetts, Boston; Arthur N. Lorig, research assistant, Municipal Finance Officers' Association, Chicago; Harley Lutz, Princeton University; Frederick N. MacMillin, president, American Municipal Association, Madison, Wis.; C. E. Merriam, chairman, political science department, The University of Chicago.

John H. Millar, editor, Millar's Housing Letter, Chicago; Frank H. Morse, Lehman Brothers, N. Y. C.; Rodney L. Mott, research consultant, American Legislators' Association, Chicago; Orin F. Nolting, International City Managers' Association, Chicago; John J. O'Connor, manager of finance department, Chamber of Commerce of the United States, Washington, D. C.; Robert M. Paige, secretary, Governmental Research Association, Chicago; A. Miles Pratt, commissioner of finance, City of New Orleans, La.; Thomas H. Reed, University of Michigan, chairman, Committee on Civic Education by Radio, National Advisory Council on Radio in Education; C. E. Rightor, former city controller, Detroit; Beardsley Ruml, dean, division of social sciences, University of Chicago; Sanders Shanks, Jr., editor of "The Bond Buyer," N. Y. C.; Harold Shenefield, director of finance, Lucas County, Ohio; Calvin B. Skinner, director, Cincinnati Bureau of Governmental Research; D. W. Springer, executive secretary, The American Society of Certified Public Accountants, Washington, D. C.; Donald C. Stone, research director, The International City Managers' Association, Chicago; Morris S. Tremaine, controller of the State of New York, Albany; Roland A. Vandegrift, director of finance of the State of California, Sacramento; G. B. Whitnall, city plan engineer, Milwaukee, Wis.; Coleman Woodbury, secretary, Illinois Housing Commission, Chicago; Edward A. Zimmerman, attorney, Zane, Morse, Zimmerman, and Norman, Chicago.

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### County Manager Plan Endorsed at Virginia Institute of Public Affairs.—

The county government round table of the Virginia Institute of Public Affairs reached the following conclusions as a result of its deliberations the first week of July: (1) The trend toward state assumption of county functions indicates that the county is breaking down as a local governmental unit. Preservation of local self government in the county depends upon the county increasing its own efficiency. If this is not done, the county is in danger of being abolished through amputation of its functions.

(2) Centralization of responsibility in an executive head of the county government is recognized as a vital necessity in increasing the efficiency of county government in Virginia and in the perpetuation of the county as an administrative unit. The round table approves the optional forms of county government provided by the last session of the legislature and urges Virginia counties to give serious consideration to their adoption.

(3) County consolidation in many sections of the commonwealth is also recognized as a



necessity to form counties of sufficient population, area, and wealth to support the essential services of local government.

(4) Abolition of the fee system as a method of compensation of county officers is recommended.

(5) Adequate performance of the essential social and cultural services of local government is as important in a time of economic adversity as in a period of prosperity. The necessity for economy is recognized but it is submitted that this should be effected so far as possible through elimination of waste rather than through blind, indiscriminate slashing of important functions. This latter course is community suicide instead of economy. Attention is directed toward the possibilities for constructive economy through reorganization of local government and the elimination of useless agencies.

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#### National Conference on Slum Clearance.

—The intention of many municipalities to seek from the Federal Public Works Administration grants and loans for public housing projects was evident at the National Conference on Slum Clearance held in Cleveland July 6 and 7 at the call of the mayor and council of that city. A committee of lawyers and housing experts was appointed to prepare a report on the principles that should guide those who may be called upon to draft legislation authorizing the establishment of municipal housing authorities.\* The membership of this committee was as follows: Alfred Bettman of Cincinnati, president of the National Conference on City Planning; Charles S. Ascher of Chicago, secretary of the Public Administration Clearing House; Coleman Woodbury of Chicago, secretary of the temporary Illinois Housing Commission; Hugh R. Pomeroy, county planning adviser, California; Mrs. Edith Elmer Wood of Columbia University; and Walter H. Blucher, secretary of the City Plan Commission of Detroit.

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#### Utica Fails to Adopt Council-Manager Plan.

—The League of Women Voters and other progressive elements in Utica, New York, have been active in an attempt to

bring about the adoption of the council-manager plan in that city of 100,000 population, but the combined forces of the two political machines were too much for them. At a special election on June 30 the plan lost by a 3,000 majority.

#### EFFECT OF HOME OWNERS' LOAN ACT UPON TAX DELINQUENCY

(Continued from Page 389)

Such advances will be secured by a 6 per cent mortgage with payments of principal in installments over fifteen years, and no payment of principal to be required for three years.

Under subsection (g) of section 4, similar authorization is given to exchange bonds and advance cash as provided in subsections (d), (e), and (f)<sup>1</sup> for the purpose of redeeming or recovering homes lost by owners through foreclosure or forced sale, or voluntary surrender to a mortgagee, within two years prior to such refinancing.

On first consideration the total likely to be available for paying delinquent taxes seems much smaller than would be expected until we take account of the extent to which special assessments burden home properties in many localities, and which in many instances must be paid off in full, as part of the refinancing operation, even though they may have been originally payable in installments over a long period of years, in order to establish priority of the new mortgage.

#### DISTRESS CASES FIRST

Against this fact, however, should be discounted the further fact that it apparently is the policy of the Board, due to limitation of funds, to refinance only those properties whose owners are in actual distress. In a state like New Jersey, where a tax sale merely involves the sale of a lien against the property, with the right of redemption within two

<sup>1</sup>The reference in this subsection to subsection (d) is to define the purposes for which cash may be advanced as there set forth. It does not limit subsection (g) to subsection (d) transactions, but leaves it inclusive of all types of refinancing specified in the foregoing sections of the 80 per cent, the 50 per cent and the 40 per cent types. The Board not only interprets subsection (g) in this way, but considers it also broadly to include redemption of properties sold for taxes, where the title is about to be lost to the home owner.

\*Attention should be called in this connection to the slum clearance provisions of the *Model City Charter* (1933 revised edition); and to *Elements of a Low-Cost Housing Law and Its Administration* published as a supplement to the NATIONAL MUNICIPAL REVIEW in February, 1933.



years, the moment of distress would be at hand only when the right of redemption is about to lapse, or where the municipality has brought, or given notice of intention to bring, an action to foreclose the tax lien.

It seems illogical to refuse aid to those against whose property a tax lien has been sold, because there exists a right to redeem, while extending relief in the face of an impending foreclosure. Presumably the heavy costs involved in a foreclosure proceeding justify this as a distress situation, but if one of the purposes of the Act is to prevent the piling up of burdensome charges which increase the load of debt against the property, it would seem reasonable to bear in mind the high rate of interest charged against delinquent taxes both before sale and afterwards, until the right to redeem expires. The probability that this view of the situation will ultimately prevail should therefore not be dismissed entirely.

Meanwhile, however, we should not expect that much more than 10 per cent of the amount employed for refinancing will be used for payment of taxes now delinquent. Nor is it likely to be much less than this when we take into account the item of special assessments. We arrive, therefore, at a rough estimate of 10 per cent or \$220,000,000 for the country as a whole. Considering that the maximum investment of the federal government in the Home Owners' Loan Corporation is only \$200,000,000 for its capital stock (the other \$2,000,000,000 authorized being in the form of its own notes secured by first mortgages on the refinanced properties) the expected result in bringing about payment of delinquent taxes equal to more than this capital as invested, is a most satisfactory one.

#### HOW MUCH WILL COME IN?

If the disbursements of the corporation could be distributed among the states roughly in accordance with population, a state like New Jersey would see well over \$7,000,000 of delinquent taxes paid, and a state like New York a little more than \$18,000,000. In New Jersey this would be almost equal to the total of unpaid teachers' salaries for the entire state, as of June 30, 1933.

As has been pointed out by G. Frank Shanley, manager of the Home Owners' Loan Corporation for the state of New Jersey, the indirect results are probably more important

than the direct. It may be expected that the direct refinancing of the more urgent properties, will greatly assist the building and loan associations and other institutions such as savings banks and insurance companies, in liquidating their most delinquent mortgages. This in turn will enable them to subscribe to stock in the Home Loan Bank, and by a rediscounting operation obtain funds with which to make advances for taxes to many of their borrowers, whose mortgages they can then refinance themselves. Where such institutions already belong to the Home Loan Bank, funds made available by the Home Owners' Loan Corporation can be used directly in the same way.

As Mr. Shanley points out, the number of mortgages refinanced in this way, as an indirect consequence of the Corporation's work, should total many times the number refinanced directly. The consequences with respect to tax delinquency should not be multiplied by the same factor, but should nevertheless be very substantial indeed.

In addition we may expect that a large proportion of the properties refinanced, both directly and indirectly, will be able to pay taxes subsequently levied in the year when due.

#### HELP TO MUNICIPAL CREDITS

Our conclusion therefore is that the Home Loan Act of 1933 should result directly in early payment of some \$220,000,000 of taxes and assessments now delinquent, indirectly in payment in the near future of a much larger additional amount, and should place the holders of a large proportion of these properties in a position to pay current taxes currently from now on.

We cannot say what proportion of the total of existing delinquency will be affected, in the absence of accurate data as to totals regarding taxes delinquent and unpaid, and the absence of any data at all as to the proportion of home properties included in such totals. But we can be assured, if we regard the rough estimate here made as conservative, that the relief to municipal governments, and in turn to county and state governments will be substantial.

It should assist materially in reducing the amount of tax anticipation loans now outstanding and should have a definitely favorable effect upon municipal credit.